

# BUSINESS WEEK

September 2, 1961

Fifty cents

A McGraw-Hill Publication

## Renault of France skids into trouble

Page 60

Below: Katharine Gibbs goes back to the basics—  
typing, shorthand, spelling—to turn out that  
rare product: a good secretary [Management]





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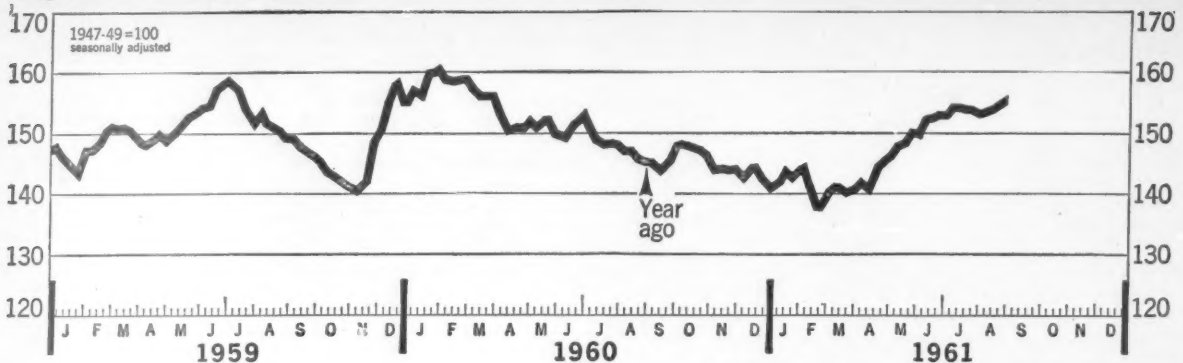
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**BW**



## Figures of the week



### BUSINESS WEEK index chart

#### Production

	1953-55 average	Year ago	Month ago	Week ago	\$ Latest Week
Steel ingot [thous. of tons].....	2,032	1,547	1,818	1,944r	2,020
Automobiles .....	125,553	38,952	74,831	16,948r	60,767
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]....	\$52,412	\$79,212	\$81,744	\$75,745	\$73,411
Electric power [millions of kilowatt-hours].....	10,819	15,018	16,061	15,665	15,491
Crude oil and condensate [daily av., thous. of bbl.].....	6,536	6,846	6,945	7,073	7,054
Bituminous coal [daily av., thous. of tons].....	1,455	1,343	1,344	1,370r	1,367
Paperboard [tons] .....	247,488	313,476	316,686	327,549	341,687

#### Trade

Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars].....	70	54	52	53	54
Carloadings: all others [daily av., thous. of cars].....	47	45	45	45	45
Department store sales index [1947-49=100, not seasonally adjusted]...	121	139	122	131	142
Business failures [Dun & Bradstreet, number].....	198	315	319	366	352

#### Prices

Industrial raw materials, daily index [BLS, 1947-49=100].....	89.2	91.6	91.4	92.1	92.0
Foodstuffs, daily index [BLS, 1947-49=100].....	90.5	76.5	75.8	75.9	75.4
Print cloth [spot and nearby, yd.].....	19.8¢	19.5¢	17.5¢	17.8¢	17.8¢
Finished steel, index [BLS, 1947-49=100].....	143.9	186.2	185.6	185.6	185.6
Scrap steel composite [Iron Age, ton].....	\$36.10	\$32.50	\$37.17	\$37.83	\$38.50
Copper [electrolytic, delivered price, E&MJ, lb.].....	32.39¢	33.00¢	31.00¢	31.00¢	31.00¢
Aluminum, primary pig [U. S. del., E&MJ, lb.].....	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.].....	††	24.01¢	N.A.	N.A.	N.A.
Wheat [No. 2, hard and dark hard winter, Kansas City bu.].....	\$2.34	\$1.97	\$1.99	\$2.09	\$2.06
Cotton, daily price [middling, 1 in., 14 designated markets, lb.].....	34.57¢	30.60¢	32.89¢	33.15¢	33.17¢
Wool tops [Boston, lb.].....	\$1.96	\$1.65	\$1.78	\$1.78	\$1.78

#### Finance

500 stocks composite, price index [S&P's, 1941-43=10].....	31.64	56.73	66.88	68.25	67.66
Medium grade corporate bond yield [Baa issue, Moody's].....	3.59%	5.01%	5.11%	5.11%	5.12%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate].....	2-2½%	3¼%	2¾%	3%	3%

#### Banking Millions of dollars

Demand deposits adjusted, reporting member banks.....	††	59,230	63,398	61,017	61,434
Total loans and investments, reporting member banks.....	††	105,745	115,045	114,555	114,224
Commercial, industrial and agricultural loans, reporting member banks...	††	32,142	32,488	32,693	32,614
U. S. gov't guaranteed obligations held, reporting member banks.....	††	27,514	34,103	33,017	33,322
Total federal reserve credit outstanding.....	26,424	28,245	28,289	28,676	28,681
Gold stock .....	21,879	19,006	17,527	17,602	17,600

#### Monthly figures of the week

		1953-55 average	Year ago	Month ago	Latest Month
Employment (in millions).....	August....	62.2	68.3	68.5	68.5
Unemployment (in millions).....	August....	2.5	3.8	5.1	4.5
Cost of living (U. S. Dept. of Labor BLS, 1947-49=100).....	July....	114.6	126.6	127.6	128.1
McGraw-Hill Indexes of New Orders (1950=100)					
New orders for machinery, except electrical (seasonally adjusted)	July....	104	179	180	185
New orders for machinery for export (1957=100) (unadjusted)...	July....	††	123	182	175

\* Preliminary, week ended August 26, 1961.  
†† Not available. Series revised.

r Revised.  
\$ Date for 'Latest Week' on each series on request.  
NA Not available at press time.

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**BUSINESS WEEK September 2, 1961**

## READERS REPORT

### What's behind the beard?

Dear Sir:

Does not the picture which illustrates your recent article, "Latin America makes its choice" [BW Aug.19'61,p34], symbolize the theme of the story? The photograph is entitled, "Inter-American parley in Uruguay pitted Douglas Dillon of U.S. (left) against Cuba's Ernesto Guevara (right)." The diplomats had made an open, clean-cut choice, tonsorially at least. Of all those at and flanking the conference table, only the Cuban masked his face (and motives?) behind an obscuring beard.

Incidentally, there was one incongruity in the picture—Dillon being labeled as "left," and Guevara as "right."

James W. Irwin  
 Washington, D.C.

### Compacts and costs

Dear Sir:

Your article on the cost of operating compact cars for business use [BW Aug.19'61,p103] was extremely interesting and readable. It was an excellent summary of our rather exhaustive treatment of the subject.

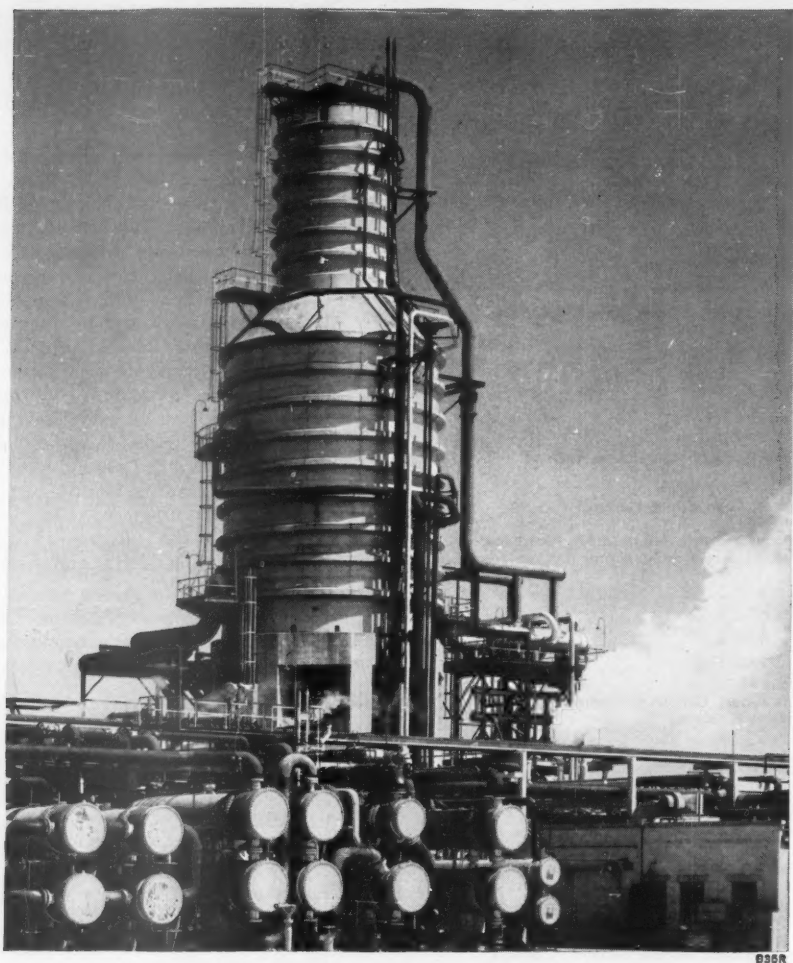
Unfortunately, the article contained an important misquote, to the effect that "if a typical company fleet switched from middle-line standards of the Big Three to their compact counterparts, PHH figures the savings per car would be \$305 a year." Actually, our report stated that "if a company were to switch . . . the average savings in capital outlay would be \$305 per car."

The distinction between the two statements is significant because it highlights so much of the fantasy surrounding the compact cars and the fascination that has been generated over their wonderful promise for tremendous savings. This is not surprising in view of statements appearing in various publications citing savings of up to \$1,000 a year. The facts show that compacts generally do cost less to own and operate, but not by as much as most people are led to believe.

John S. Lalley,  
 Vice-President  
 Peterson, Howell & Heather  
 Baltimore, Md.

Dear Sir:

Although you state that individ-



## Another Big One

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# CB&I built it!

*Serving leaders in the fields of Aerospace, Nuclear Power, Chemistry, Petroleum, Cryogenics, Hydroelectric Power, and Municipal and Industrial Water Supply*

ual owners as well as fleet owners can derive some useful information from your article, "Compacts: bargain in economy?" a few of your readers found the statistics and charts slightly confusing.

For example, does chart number 2 actually tell me that a Corvair will cost approximately 50 cents per mile in maintenance and repairs at around 22,000 miles of operation? How about the Valiant at 20 cents per mile even if it isn't driven? . . .

John A. Karpf

Rochester, N. Y.

■ The confusion came from the accidental omission of the decimal point in front of the cents-per-mile repair and maintenance cost figures in Chart 2. Thus, Corvair's figure at 22,000 miles should read 0.50¢, instead of 50¢. In addition, the Valiant chart line should start at about 1,000 miles.

### A call for volunteers

Dear Sir:

Your publication of advice on protection against fallout [BW Aug. 19'61, p121] was excellent and timely.

However, this aspect of civil defense is largely selfish. Effective civil defense is a mutual assistance affair requiring the training of a large segment of our population in the skills needed to cope with a disaster. Winston Churchill had this to say on the subject in the House of Commons in 1955:

"No city, no family, nor any honourable man or woman can repudiate this duty and accept from others help which they are not prepared to fit themselves to render in return. If war comes, great numbers may be relieved of this duty by death, but none must deny it as long as they live."

Your readers should be reminded that reliable, intelligent volunteers are needed in practically all Civil Defense units. My own needs them desperately. One of the best ways to improve your community's Civil Defense Service is to join it yourself.

George Mueden

Cornell University Placement

Service

New York, N. Y.

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# Business outlook

**BW**

September 2, 1961

## Midsummer rise fails to push jobs to new 1961 high

Employment almost invariably posts the year's high in midsummer, at the peak of outdoor activities. But not this year. The high was in June at 68.7-million, and August couldn't displace it.

There was a rise between mid-July and mid-August, but a very small one—only about 40,000. It was enough only to push the August employment figure a little above 68½-million.

The really extraordinary thing is the number of people who gave up job-hunting between June and August. More than 1.2-million just went fishing. Never before has the total been nearly so high—confirming that many June "job hunters" weren't too serious.

If all the people who start looking for jobs when school lets out stayed in the labor market, unemployment inevitably would swell each summer much more even than it does.

Actually, though, there is almost always some drop from June to August—simply because teen-agers who don't find work stop looking.

This year's June jobless numbered almost 5.6-million; by August the figure had dwindled to 4,542,000. But if that looks like it should be more than a normal seasonal decline, you have the Labor Dept.'s word that it isn't; the seasonally adjusted rate of unemployment is put at 6.9% for August, unchanged from July and one-tenth of a percentage point higher than it had been in June.

## That 'hard core' of unemployment begins to soften

Even though unemployment continued to look high as an adjusted percentage of the labor force, there is growing evidence that jobs were beginning to be easier to find [BW Aug.19'61,p27].

The hard core isn't quite so hard as it has been described. There was a decline between mid-July and mid-August of almost 200,000 in the number out of work 15 weeks or more.

Since mid-August, moreover, the number of new applications for unemployment compensation has continued to decline steeply. This points to a further decline in the total on compensation (already 1.2-million fewer than at the year's high though still substantially above a year ago).

## Prices pay little heed to tensions

Full employment, desirable as it is (and hard as it is to agree on its definition), doubtless contributes to price rises. It's not so easy to prove that a measure of unemployment surely curbs the wage-cost push, thus damping down the tendency toward inflation.

Be that as it may, the price front is surprisingly calm.

Neither crisis abroad nor recovery at home has as yet had very much impact on what industry pays for raw materials or gets for goods sold.

Commodities traded internationally generally are very responsive to labor troubles that affect production or to political tensions that may affect distribution. There have been plenty of these, certainly, in recent months. Yet prices have advanced surprisingly little.

Recovery is perhaps still too young to have played much of a part.

Yet, in the aggregate, this relative insensitivity is coming more and more to puzzle students of the markets.



## Business outlook Continued

### Activity in steel aids scrap price

Individual price movements that key to recovery or to international disturbances may be pointed out. Steel scrap is a sample.

With mill output rising, this basic ingredient for charging our steelmaking furnaces has gone up \$5 a ton since May (and a further vigorous rise seemed to be in the making in the Midwest this week).

Yet the sharpest rise among all the metals—in tin—traces solely to a worldwide shortage. The international tin committee's buffer pool, which is supposed to sell at a time like this, is bare. The U. S. stockpile looks to be the only nearby source of relief.

Recent strength in the price of copper scrap has tied directly to strikes in Chile and the spreading shutdown in Utah.

Yet, for all this, primary producers in this country have been slow to take advantage of the situation. They held their 31¢ price through the summer dullness and they are trying to hold it now.

In the meantime, lead and zinc are just plodding along; primary aluminum is unchanged, as much as producers feel the need of an advance.

### Good supply, more than politics, aids in checking prices

Washington frowns at price increases (with steel bearing the brunt of the political pressure), doubtless exercising a restraining influence.

Yet the main reason for the relative lack of bounce, aside from unemployment, is ample supply; mines, mills, and factories still are operating substantially below the most desirable rate, by and large.

This has prevented many prices from rising. And a few, among which rubber and plastics might be mentioned, still are on the down-grade.

Take the Dept. of Labor's daily index of spot commodities. This includes a limited range of products, is a fast mover, and generally tends to emphasize (if not actually exaggerate) any sort of trend.

But there's no trend to emphasize at the present time. Metals have risen a bit during the Berlin crisis (mainly reflecting moves in steel and copper scrap and in tin), but other materials have eased.

The index for industrial raw materials stands almost exactly where it started the month—and 2 points under its mid-April level.

### Long, slow drop shown by prices of manufactures

Wholesale markets show even less tendency than spot commodities to respond to such a stimulus as must be latent in today's circumstances.

Admittedly, this index understates movements, for its composition is as broad as the spot index is narrow. The figure for manufactured items (excluding farm products and processed foods) is going down. The high was 128.8 about 16 months ago. Early this year—about the time recovery was starting—it was 228.2. Now it is 127.4.

The current reading, in fact, is the lowest in over 21½ years.

This slide in wholesale prices of manufactured goods continues to stand at variance with the Consumer Price Index; the latter, of course, has just gone to another new high.

The July rise in this index was largely caused by costlier foods. Prices of foods have, in fact, played a major role for a year and a half.

However, even without foods, this index has a built-in tendency to rise owing to steadily increasing costs of services.

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# Heading Berlin crisis into talks

**Kennedy wins French support for approach to Soviets at U. N. session, and proposes a prior Western meeting; but Russians play it close to vest on their intentions**

The Berlin crisis seemed to be stabilizing this week—on a high and dangerous plateau. Cautiously, the Kennedy Administration took steps toward negotiation with the Russians. But Moscow, which had seemed to be refraining from new aggressive steps in the city itself, tightened the general tension at mid-week by announcing it would resume nuclear testing.

Berlin itself was still charged with tension. Military forces faced each other across the line dividing the city, East Berlin was still bottled up, and Communist propaganda was increasingly tough.

**Kennedy's moves.** To ease the atmosphere, Pres. Kennedy is trying to refocus the center of crisis from Berlin to a conference table. Despite differing viewpoints among the Allies, plus hints of Republican criticism at any show of "weakness" by the U. S., the President this week won French support for an "informal" Western approach to Soviet Foreign Minister Gromyko soon after he comes to New York for the opening of the United Nations General Assembly on Sept. 19.

The idea is to sound out Gromyko on when and where a conference could be held, and on what basis negotiations could proceed.

Kennedy also moved to reconcile differing Allied views by proposing a Big Four Western foreign ministers conference in advance of the U. N. General Assembly. The four nations—the U. S., Britain, France, and West Germany—are not united on what negotiating position they should take toward the Soviets.

In London, Washington, and Bonn—though less so in Paris—there's a feeling that the West would gain a little elbow room if Moscow agrees to a secret foreign ministers meeting in New York around Sept. 25. That would be roughly a week after the West German elections and the opening of the U. N. General Assembly.

**Few repercussions.** So far, the only economic repercussions of the crisis have been the appearance of the first signs of economic erosion in West Berlin (page 17), and some signs of nerves on the London gold market. On the whole, though, European businessmen have taken the crisis calmly up to the present.

**Khrushchev's role.** Meantime, Premier Khrushchev acted as though Berlin already was his. He refrained from communicating directly with the heads of state of the Western Big Three; instead, he was willing to negotiate Berlin—on Soviet conditions. Thus, Khrushchev appeared to be waiting for Western overtures.

In military and political tactics over Berlin, Khrushchev has nearly run the gamut of plays available to him, short of a move that might trigger a nuclear war—which the Allies believe he does not want.

He began by sealing off East Berlin traffic to West Berlin on Aug. 13, redeploying Soviet troops in the area, and barricading the border. After the U. S. responded with a symbolic reinforcement of its 5,000-man garrison in West Berlin, the Soviet Premier began curtailing West Berlin traffic into East Berlin; he closed 73 of the 80 access gates.

The Soviet ruler presumably could



**Secy. of State Rusk** may sound out Russians at U. N. about Sept. 25.

stop all West Berlin traffic from entering East Berlin without risking Allied military action. Beyond that, however, he would be chancing armed intervention—even if he only turned over to East Germans the authority to approve the flights of civilian airlines such as Pan American from West Germany into West Berlin. "If that happens," a U.S. official says, "we will be in a crisis of major and critical proportions."

However, Khrushchev may be restrained from any such action by the clear indication Secy. of State Dean Rusk has given that the U.S. would then bring the Berlin crisis before the U.N., accusing Moscow of threatening international peace.

## I. When and how to talk

If the State Dept. has its way, negotiations with the Russians will take place after the Oct. 17 Communist Party Congress in Moscow. That way, officials feel, the talks would not be affected adversely by the chauvinistic feelings that traditionally emanate from formal Communist get-togethers on future plans and past achievements.

Before the Oct. 17 meeting, however, the State Dept. wants arrangements for the talks officially set. If that is done, the East-West atmosphere might be sufficiently relaxed to forestall further Communist saber-rattling at the Congress.

With the Sept. 17 West German elections less than three weeks away, these are less a consideration in Allied planning than earlier—though for the moment Chancellor Adenauer is unable to address himself seriously to the Berlin question. Bonn's Berlin policy, in fact, is widely awash in the election campaign.

**A summit or not?** Pres. Kennedy does not want to go to the summit. He would prefer negotiations at the foreign ministers level. But if Soviet Foreign Minister Gromyko gives solid hope for a peaceful solution in meetings with Western foreign ministers, Kennedy may agree to a summit if Khrushchev is pushing for one. The Soviet Premier has no faith in foreign ministers meetings.

At the moment, the State Dept. is in the dark on Russian intentions. By midweek, it still had not heard whether Gromyko even plans to attend the U.N. session in September. The West has assumed he will for some time, but it has not been confirmed by the Kremlin.

## II. What is negotiable?

The big problem, of course, is what to negotiate. With Khrushchev

increasingly adamant that the West forfeit its rights in West Berlin, room for discussion is narrowing. The West has vowed to retain its war-won position.

Even what appear to be Khrushchev's minimum goals are unacceptable to the West. According to State Dept. estimates, these minimum Soviet goals are threefold: to sign an East German peace treaty, to force de facto recognition of East Germany by the Western powers, and to end West Berlin's occupation status.

The Allies balk at the last goal, even with Khrushchev's suggestion that Western troops could remain in Berlin in token force.

The Allies want to retain their current legal status as an occupation force, to maintain the right to keep troops in West Berlin in whatever number they please, and to have unimpeded access to the routes from West Germany by air, land, and canal into West Berlin.

**Bargaining position.** The Allied position is a bad one for bargaining since its maximum goal, in effect, is to maintain the status quo. The West could give some ground. As far back as early 1959, the Eisenhower Administration suggested an agreement in which both sides would limit troop strength, propaganda, and espionage activity.

Even in West Germany, it is now being admitted privately that Western recognition of the Oder-Neisse line might finally be added to these concessions.

But there isn't much more that the Allies have to give. Asking for nothing in addition to what it has, the West is on the defensive.

In addition to exploring possible short-run solutions, Kennedy's advisers over the past weeks have been reaching for possible ways to achieve a permanent settlement in Berlin. Even proposals that appear far-fetched have been considered. One would put U. N. headquarters in a free and United Berlin. Another would have a United Berlin a member of the U.N.

It's hard to imagine either proposal being advanced by the West, though they would have the advantage of calling for a reversal of Communist measures sealing off East Berlin.

**Treaty crisis?** If negotiations result in a stalemate, the Soviets almost certainly will go ahead with their separate treaty with East Germany. At that time, the Berlin crisis might unfreeze, pick up more momentum, and bring East and West into even deeper conflict.

Khrushchev has hinted, however,

that a Soviet-East German treaty would not jeopardize Western rights in West Berlin, although the East Germans have been promised control over Allied communications and logistics to West Berlin.

Rather than precipitate a new crisis, the Soviet Premier might rewrite his "status of forces" agreement with East Germany so as to preserve until a later date Soviet control over Allied access routes from West Germany to West Berlin. The East Germans then could act as Soviet "agents."

## III. Economic pressures

The Allies have left to them one major deterrent short of full-scale war: economic sanctions. These have not been applied so far, although Bonn and Paris have favored them.

Washington has given some consideration to a proposal to cut off Western purchases of Soviet oil. But the idea has been vetoed by Italy, the largest buyer among the NATO nations.

Washington feels economic sanctions on a large scale—such as a total boycott of the Soviet bloc—would be difficult to impose and costly to the West. London has been even more reluctant.

In any case, the Soviets are likely to be hurt less now by economic sanctions than they would have been several years ago. "Our ultimate bargaining position," a U.S. official says, "is simply and horribly that of a nuclear war."

**Business reactions.** On the other side of the picture, the possibility of continued Soviet pressure on West Berlin's economy is beginning to disturb some West Berlin businessmen. But elsewhere in Europe, businessmen appear unworried.

Demand on the London gold market in the last few weeks has expanded to the point where the Bank of England has had to steady the price by feeding in South African gold. But so far there has been no panic buying of gold.

And there hasn't been a glimmering of political speculation on international commodity markets (page 11). Stock markets in Europe have remained relatively unaffected. Only the other day the French economic and financial weekly, *La Vie Francaise*, had this headline: "Stock Markets Believe in Peace."

Business activity continues on a boom or near-boom basis almost everywhere in Western Europe except in West Berlin. European businessmen at midweek seemed to be hoping that the crisis will somehow blow over.



In West Berlin

# How the squeeze hurts

**Pressure on labor supply and new investment threatens industry, despite firm stand**

**Despite** the passionately expressed determination of West Berlin's businessmen to stand firm, the rapidly mounting Soviet pressure is straining the business community's ability to maintain West Berlin's industrial position.

Sealing of the East-West Berlin border has already meant a tighter labor supply. As the crisis develops, the new investment and plant expansion that have fostered West Berlin's industrial growth can be expected to come to a grinding halt. There's little doubt that businessmen have begun seriously considering the grimmest possibilities of the coming weeks, and what they will have to do about them.

For even if the Western allies hold onto the access routes through East Germany, West Berlin's industrial life—with its \$2.5-billion in industrial sales—can be badly damaged by continuing Soviet moves.

In spite of these threats, West Berlin businessmen insist vehemently that they will not give way. Says Hermann Schwab, manager of IBM Deutschland's Berlin operation, "We haven't altered a single plan since Aug. 13 [the day the Communists sealed off the East Berlin border]. And we're not going to."

Wherever you go in beleaguered West Berlin, you will hear this view echoed—by the proprietor of a postcard concession at the Brandenburg Gate and the president of a multi-million-dollar electronics corporation alike.

**Patriotism and necessity.** Much of the determination comes from a special and infectious brand of Berlin patriotism bred by 16 years of



**Sealed East-West border in Berlin**, typified by barbed wire at Brandenburg Gate, means political tension; for West Berlin business, it means loss of a million customers from East Berlin, and 50,000 workers in city's labor-short industries.

**In heart of West Berlin**, city's free life keeps up; West Berliners and tourists sip coffee at Kurfuerstendamm sidewalk cafes—among them visitors to city's TV and radio fair; war-bombed Kaiser Wilhelm Memorial Church is in background.





**West German aid** for West Berlin economy is pledged by Economics Minister Erhard (right) on tour of border.



**New buildings** that mark West Berlin's growth show up in view from Telefunken's new "skyscraper" in Ernst Reuter Platz (named for mayor during 1948-49 blockade); current crisis is likely to halt investment that has fostered this expansion.

living under Communist threats. It's typified by the exclamation of Heinz Mohr, head of a thriving Berlin women's wear company and president of the West German garment industry association: "We'll die on the barricades before we let the Communists drive us out of our city."

Equally important is the inescapable fact that most Berlin businessmen are stuck there. A spokesman for Siemens, huge electrical equipment manufacturer and West Berlin's largest company [BW Oct.17'59,p184], says, "We have too much committed here. Since 1945 we've invested nearly \$150-million in West Berlin. You don't pack up that kind of an investment, and tens of thousands of workers, and just move out."

The point has double force for the smaller companies that have all their operations located in Berlin. They represent more than half of West Berlin's industrial sales.

"What's our choice?" asks Klaus Friedrich, assistant general manager of Berlin's largest clothing manufacturer, Velisch. "We can sell out and try to start over again in West Germany, or stay put and hope for the best."

**Support.** For the time being, at least, West Berlin businessmen are able to stay put. The access routes are open, permitting finished goods to go out and raw materials to come

in. The city, having learned the lesson of the 1948-49 blockade, is self-sufficient in utilities such as water and power. Only the sanitation system is shared with East Berlin and under Communist control; but East Berliners cheerfully note that if the East Germans disrupt it, all West Berlin's wastes will flow into East Berlin rivers and lakes.

Top officials of major West German trade organizations have pledged to back West Berlin with a "continuing storm of orders." And the Bonn government is considering a boost in its aid for the West Berlin budget, now \$375-million a year.

**Worry.** Nevertheless, there's a growing mood of strain and worry among West Berlin businessmen. "It's very difficult to tell what the next few weeks will mean for us," admits Telefunken Vice-Pres. Carl Zickermann. Many, though they won't admit it publicly, have begun hedging against the future.

Many large German companies turn out major products exclusively in Berlin, especially in the electrical industry—West Berlin's largest, with \$750-million annual sales. Now they are studying whether their facilities elsewhere can be adapted to take over some of this production. At least one West Berlin company has already shifted manufacture of a product line out of Berlin, giving techni-

cal considerations as the reason.

Expansion projects already under way will be finished, says Gunther Wilitzky, manager of the Berlin Marketing Council of the city's Chamber of Commerce. But new investment, he freely admits, can be expected to halt. Companies have already dropped many projects not yet publicly announced, or still in the dream stage.

**Question of access.** The major concern of Berlin businessmen focuses on the access routes—three air corridors, three autobahns, three rail lines, and one large canal. The need for them is primarily for moving finished goods out of the city. West Berlin tallies better than 75% of its sales either in or through West Germany (only about 1% to the Communist bloc, the rest in West Berlin itself).

The access routes, of course, also bring in raw materials and component parts. But, as Telefunken's Zickermann notes, raw materials are of little use if finished products can't be moved. Industry's raw material inventories could last about six months at current production rates; but West Berlin hasn't enough room to store six months' industrial output. (West Berlin itself has stockpiled one year's worth of materials for its general life.)

Many businessmen feel that, what-





**Top textile company** in West Berlin, Velisch, depends on skilled labor supply, the city's greatest asset, now squeezed by Soviet moves. Electrical industry, city's biggest, can automate; but for garment making, its second, this is hard.

ever happens, they can stay in business as long as the access routes remain open. Others don't see the situation in such black and white terms. Many think that even with the access routes open, West Berlin could eventually be destroyed by the piling up of Soviet moves.

**Border impact.** The border sealing that sliced Berlin into two bristling armored camps has given a taste of what might come. For many small businesses—movie houses, pharmacies, grocery stores, cafes—it was a death blow. The nearly 1-million East Berliners who used to journey back and forth in a year were important customers. Some shops near the border have already closed.

For West Berlin industry, the major impact is the loss of the 50,000 "Grenzgaengers" or border-crossers—East Berliners who worked in West Berlin. Like West Germany, West Berlin has an acute labor shortage. Even before the cutoff, there were some 20,000 unfilled jobs.

Siemens, with 47,000 workers in West Berlin, employed 4,000 Grenzgaengers. It is able to keep production up by overtime and Sunday work, by shifting workers around, by getting older white-collar workers with production skills back on the production line—but these are temporary measures.

Siemens, along with others, aims to meet the labor shortage by speeding up automation. But in some industries, such as garment manufacture—West Berlin's second biggest, with over \$250-million annual sales—possibilities for automation are limited.

At the same time, West Berlin faces loss of workers from another direction. While older workers remain, the younger generation is slowly beginning to trickle out, tempted to start life in safer, less harassed cities in West Germany.

**Growing threat.** Thus, Soviet pressure works to drain West Berlin of its most precious asset—its labor. Almost every company now in West Berlin cites the city's traditionally highly skilled labor force as the chief reason for being there.

This threatens the West Berlin economy, even if the access routes stay open. For a time, certainly, business will stick to the city, hold production to the present level. But reluctance to build new facilities or invest in modernizing old ones will grow, some feel sure, and the labor force will become static and old if it doesn't actually dwindle. West Berlin's economy could slowly wither away.

To many observers, in fact, this is one of the main objectives of Soviet thrusts against West Berlin.



**Heinz Mohr** dressmaker says that "we won't let Communists drive us out."



**Carl Zickermann** of Telefunken wonders "what the next weeks will bring."



**Georg Pasternak** fruit dealer at border (background) fears he'll have to close.



# Expanding the take-off for shots at moon

Space agency picks Cape Canaveral for the big buildup, and Florida looks for a new round of boom growth. Sites are also to be picked for fabrication, testing, training

When U. S. rocketeers start shooting at the moon, they'll be using mammoth rocket boosters that could no more use today's launching pads than a Boeing 707 jet airliner could operate from a farmer's airstrip. For a new launching area for this new generation of space rockets, the National Aeronautics & Space Administration scoured half the globe, and last week it decided on Cape Canaveral, Fla. (map).

Canaveral isn't ideal, NASA found, but it is an established scientific center, it is accessible and reasonably near supply sources, it is well to the south (some experts say the nearer to the Equator the better), firings eastward can be made safely over water, and there's some degree of separation from settled areas.

The chief compromise may be in this last item. When launching pads are ranged along the oceanfront north of the present Canaveral plant, Merritt Island and adjacent marshes and sandbars will provide only a 10-mi. buffer zone; according to some estimates, sound waves from the huge rockets of tomorrow will shatter windows at 25 or 30 mi.

NASA hasn't said how it plans to handle this problem. "Maybe we'll just pay for the glass," says an engineer. One possible step: the temporary clearing of nearby areas when firings are scheduled.

**Best they could get.** Canaveral won out largely because it would cost far more money and take longer to start from scratch elsewhere. NASA looked all around the country, surveyed possibilities on Canton, Christmas, and the Hawaiian Islands in the Pacific, even considered man-made launching sites in the oceans.

Reportedly, NASA found it would cost two or three times as much to use a Pacific island site as to expand Canaveral.

**Starting to spend.** A vast sum of money is at stake. Before a three-man expedition sets out for the moon around 1967-69, an estimated

\$2-billion to \$4-billion will have been spent on support facilities alone for the lunar-shot program. This week, NASA went to Congress for \$60-million to buy the 80,000-acre tract of land for expansion of the present 15,000-acre site.

Just inside the present north boundary of the Canaveral tract, a Saturn launching pad with 300-ft. towers has been built for initial firings of the Saturn C-1 booster in the next few weeks. Bids were opened this week for a second pad, costing more than \$15-million.

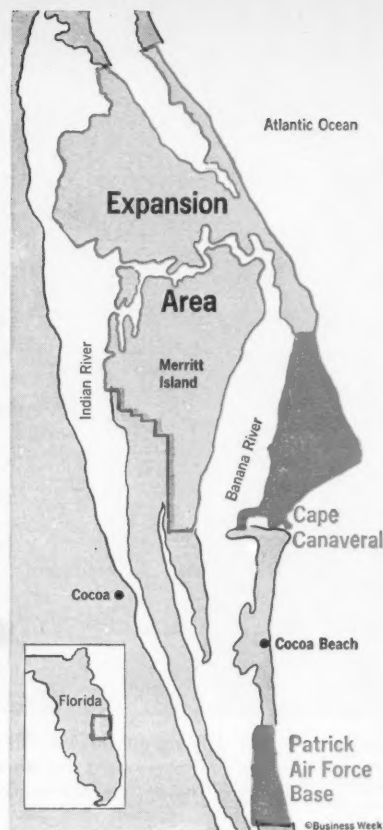
On the new tract, more than a half dozen pads will be built for the boosters yet to be developed: the Saturn C-3, with 3-million-lb. thrust; possibly a twice as powerful Saturn C-4; the giant Nova, designed for at least four times the C-3's power. And each launching pad will be backed up by a complex of workshops, labs, and control stations where thousands of technicians work.

## i. Boost for Florida

NASA's choice of Cape Canaveral gives a strong lift to Florida's economy, which lost some of its buoyancy in the past year. An Air Force officer estimates that the government alone will employ another 10,000 men, up 50% from the present 20,000 civilian and military workers. Another 30,000 jobs may be opened up with space contractors, with construction crews, and with the services that accompany such a population bulge.

**Rocket rise.** This expansion falls on a county that has come to depend on boom as routine. In the last 10 years, Brevard County has led the U.S. in population growth—from 23,653 to 111,435, a matter of 371%. Its per capita income has soared from \$1,019 to \$2,277; its retail sales, from \$17-million to \$137-million.

In the late 1940s, Cape Canaveral was a little-known piece of scrubland that suddenly became world-



famous. It was picked by a military committee as the most suitable missile test site because of its isolation, its proximity to the Banana River Naval Air Station, and its advantages for overwater shots down the Atlantic tracking range. In 1950, the Air Force was given charge of the program, the naval station became Patrick Air Force Base (headquarters for the test center), and the first missile was launched.

**Everything doubles.** NASA has started condemnation proceedings in federal district court at Orlando for the new 80,000 acres. The Army Engineers are to appraise the property of 1,500 owners, some of whom may reject government offers and have a jury determine fair prices.

The state agreed to double the width of Highway U.S. 1, which is only two lanes through most of the Brevard County, and construction will start any day on a new causeway connecting the outer Canaveral strip with the mainland. New hospitals are being built in Cocoa Beach and Melbourne.

The Brevard County school system is winding up a program of 23 new schools to handle the past enrollment increase from 4,700 to 27,000 pupils. Now County Supt. of Schools Woodrow J. Darden be-

lieves he will have to build another 20 schools in the next five years—"just when it looked as if we were set."

Canaveral International Corp., which is developing 9,000 acres west of Cocoa, says it sold \$390,000 worth of lots in the first four days after NASA's announcement, even though it jacked prices from \$1,295 per lot to \$1,595. Speculative builders are priming for a new homebuilding burst, particularly in the \$10,000 to \$14,000 range.

The Cocoa Beach Chamber of Commerce expects that at least three motels will have to be built. "Now I think you'll see some real improvements—new shopping centers, office buildings," says Pres. C. E. Davis of the Barnett National Bank of Cocoa. The area feels it has a sounder base for expansion than it did in 1950.

## II. More plums to come

The expansion of launching sites at Canaveral is by no means the only visible result of the stepup in the moon project. NASA is shortly choosing sites for (1) the fabrication and testing of the three-man Apollo spacecraft, (2) the fabrication and testing of a big rocket booster of the Nova class, and (3) the space task group training center, now at Langley Air Force Base in Virginia.

There's a good chance that other parts of Florida—not the Canaveral area—may land the spacecraft center and/or the training center. In each case, NASA has inspected the Tampa and Jacksonville areas. Florida's chances are considered better for the space training center, with Texas favored slightly for Apollo building and testing (Houston, Victoria, Corpus Christi, Beaumont, Dallas-Ft. Worth have been studied).

**Booster plans.** The huge boosters must be assembled and tested at deepwater sites, since they can't travel overland to Canaveral. All will be bigger than the Saturn C-1 that had such a time getting from Huntsville, Ala., to Florida [BW Aug. 12'61, p. 26].

NASA and the winning contractors for the booster will agree on the site. Aerojet-General Corp., one bidder, says it has options on sites in Florida, Texas, and the Pacific Coast (page 28). Thiokol Chemical Corp. has looked at Florida, Texas, North Carolina, and Georgia. Grand Central Rocket Co., affiliate of Lockheed Aircraft Corp., would prefer California but might go to the East Coast. United Technology Corp., subsidiary of United Aircraft Corp., is exploring both coasts.

# Deal on foreign aid

**Compromise on long-term development loans allows Administration to make commitments over five-year period, but it must go to Congress each year for appropriations**

The compromise foreign aid bill hammered out in Congress this week will put U.S. aid to underdeveloped nations on a long-term basis for the first time. For years, aid experts have been seeking this change as the only way to use money effectively—dangling it before countries as a carrot to persuade them to make economic and social reforms in order to keep all funds from being wasted.

What it means is that the U.S. can now tell a Latin American country it can expect, say, a \$1-billion aid package over the next five years if the country overhauls its tax system, institutes land reforms, and stabilizes its currency.

Until now, the U.S. has been forced to administer aid on a project-by-project basis, with funds assured only one year in advance.

**Hard battle.** The compromise forged by a House-Senate conference committee at midweek appeared headed for quick approval in both houses. But it was a hard-fought compromise. The Administration wanted authority to borrow money from the Treasury for five years without annual appropriations by Congress detailing how it could be spent. The coalition of Republicans and Southern Democrats insisted on annual appropriations.

The agreement boils down to this: The foreign aid agency can now make commitments to specific countries totaling \$7.2-billion for five years. (The President had asked for \$8.8-billion.) But the Administration will have to come back to Congress each year for an appropriation to cover the commitment. Congress can then refuse to appropriate the money, or trim the amount, if it wishes. Despite this, the U.S. will have made a strong "moral commitment" to the country involved; and in granting authority to the Administration to make long-term commitments, Congress has imposed a strong moral commitment on itself to follow through with the money.

The fact that the Administration must return to Congress each year to justify the spending will act as

an incentive to make sure that the commitments are economically and politically sound.

Experience has shown that when there is a specific commitment, the Appropriations Committees of both houses usually honor it. There have been exceptions, though, and this is what worries the Administration. The U.S. signed a treaty with Panama, for example, to supply funds for a road and public works network; Congress delayed five years before supplying the funds—after a series of riots in Panama.

Aid administrators have made no breakdown on where the money will be spent over the next five years. For one thing, the whole foreign aid program is being reorganized to bring the Development Loan Fund, International Cooperation Administration, and certain other programs into one new agency called AID (Agency for International Development). This agency will decide how to allocate the money.

**'Country packages.'** In most cases, the long-term aid will represent a "country package"—say, \$25-million over five years for roads, surplus food to carry the country through a period during which land reforms are made, and money to prop up the banking system.

The Senate had approved almost all of what the President wanted, granting five-year borrowing authority but trimming the total amount by \$800-million. The House, however, flatly rejected borrowing from the Treasury as "back-door financing" and merely authorized a one-year appropriation of \$1.2-billion, the amount Kennedy had requested for the first year of the program. The conferees agreed on \$1.2-billion for the first year and \$1.5-billion each of the next four years, thus trimming the President's program about 20%—about the percentage that foreign aid requests have been cut traditionally.

**Total aid.** The total amount of foreign aid approved by the conferees for the fiscal year totals \$4.2-billion, compared to \$4.8-billion the President requested.



**War Minister Odilio Denys** played key role in trying to make way for middle-of-the-road successor to Quadros.



**Vice-Pres. Joao Goulart** was returning from Red China when crisis broke. Denys opposed him as leftist.

# What brought Brazil to the edge

**Conservatives and military pushed Quadros out because of his pro-Cuban, neutralist foreign policy—and launched drive to keep leftist Vice-President out, too**

As the U. S. watched anxiously, the Brazilian political crisis this week almost boiled over into civil war. Then, at midweek, it seemed to simmer down to the point where a solution was in sight.

The crisis eased when Brazil's top military leaders, headed by War Minister Odilio Denys, told the Brazilian Congress they would consider left-leaning Vice-Pres. Joao Goulart as President if he would share his power with a premier approved by Congress.

**Reversal.** Up to Wednesday, when Goulart was heading home from Paris via New York, Denys had been demanding that Congress impeach the Vice-President. Denys and the conservative forces backing him had hoped to clear the way for a middle-of-the-road successor to Pres. Janio Quadros, who resigned last week after a row over his pro-Castro,

neutralist foreign policies. Goulart, who has been in Communist China on a trade and goodwill mission, has always been well to the left of Quadros as a politician.

At midweek, it still was not certain whether the compromise worked out by Denys and congressional leaders was solid or whether it would be acceptable to Goulart. While the compromise follows the existing constitution in giving Goulart the succession, it still calls for a constitutional revision that could well put the real power in the hands of a premier.

Moreover, Brazil's three top military leaders—Denys, the Navy Minister, and the Air Minister—would still exercise great influence. In effect, Quadros' unexpired term would be served out by five men: Goulart, a premier, and the three military chiefs.

**In the running.** If a compromise is reached along these lines, the conservatives who have tried to block Goulart undoubtedly will insist on a middle-of-the-road politician as premier. The governors of three important Brazilian states—Sao Paulo, Bahia, and Minas Gerais—are all possible candidates.

But Goulart has long had ambitions to run Brazil, and it's unlikely that he would agree to let any of these men take over the powers that Quadros yielded. He might well try to get in a moderate from his own Labor Party. Some Brazilians were saying at midweek that such a man might be Santiago Dantas, a congressman who has been slated to represent Brazil at the United Nations.

The prospect of a compromise brought sighs of relief from Washington. With the Alliance for Progress about to get under way, the



crisis has dismayed U. S. officials; the last thing they want is a civil war or a military dictatorship in Latin America's largest nation.

## I. Mounting crisis

The crisis was brought on when conservative Brazilians decided Quadros' foreign policy was giving outright aid to international Communism. At the same time, the impulsive, stubborn President was finding it increasingly difficult to govern within the confines of the Brazilian political and social structure.

**Balance of power.** For the past quarter century, a careful balance has been maintained in Brazil between the conservatives and leftists, the wealthy oligarchy and the rising power of labor—with the armed forces acting as moderator. This balance was disturbed by Quadros' autocratic and original style of governing; he applied sudden wrenches to many established policies.

Step by step, here's how the crisis developed:

On Aug. 18 Quadros awarded Brazil's highest civilian medal to Cuba's Ernesto "Che" Guevara as he was homeward bound from the Punta del Este conference. The following day, Brazil's press almost unanimously denounced the act. Then, Carlos Lacerda, governor of the state in which Rio de Janeiro is situated, launched a vigorous attack on Quadros' entire foreign policy, charging it had made Brazil "a beachhead of Communism in South America." Back in 1954, Lacerda had been instrumental in bringing about Pres. Vargas' downfall.

**Eventful week.** Throughout the week of Aug. 20, the campaign against Quadros mounted. The three military ministers met with Quadros. Congress went into permanent session. Lacerda violently attacked Quadros on radio and TV. The next day Quadros resigned, without even bothering to inform his cabinet, and returned to private life. In a note to Congress, he charged that he had been overcome by reactionary forces at home and abroad.

With Goulart out of the country, Ranieri Mazzilli, president of the House of Deputies, was sworn in as acting President in accordance with the constitution. His first act was to maintain the three military ministers in their posts. Inevitably, this meant that the crisis would focus on Goulart, who had long antagonized most Brazilian conservatives. A wealthy rancher from the southern state of Rio Grande do Sul, Goulart is looked on as the spiritual heir of Vargas and a man quite willing to

trade government posts for Communist votes.

In an effort to keep Goulart out, War Minister Denys and his colleagues quickly put the country under tight military control and told Congress to come up with a formula for bypassing the Vice-President. At the same time they maintained Finance Minister Clemente Mariani in office to assure that domestic economic and financial policies would not be changed. However, they planned a switch from Quadros' policy of neutralism in foreign affairs and a return to Brazil's former close alignment with the U. S. They also considered a break in relations with Cuba and support for a hemisphere stand against the Castro regime.

## II. Sentiment swings

By the beginning of this week, however, strong support began to build up for Goulart. Six of Brazil's 20 state governors came out openly for him. And former Pres. Juscelino Kubitschek publicly supported Goulart's legal claim to the presidency.

**World opinion.** Meantime, many Brazilian moderates—including congressmen, government officials, and intellectuals—privately expressed the view that Brazil must stick by its constitution or forfeit the respect of the Free World. This group was shocked and disappointed that Quadros walked out on the presidency as he did. Since then, they have been ashamed to see Brazil display its dirty laundry before the world.

Perhaps more important, the commander of Brazil's Third Army, in Goulart's home state, threw his weight into the struggle and defied

Denys. At the same time, other Goulart supporters blockaded the southern harbor of Porto Alegre.

As a result, there was some indication this week that the War Minister felt he no longer had enough control over the military to keep Goulart out.

**Less headstrong.** If Goulart should become Brazil's President, with limited powers, he probably would toe the line on foreign policy. Quadros' peculiar chip-on-the-shoulder tactics provided opponents with the opening that led to his downfall. Goulart will be careful not to do this sort of thing.

In Brazilian politics, Goulart got his start under the old dictator Vargas, whose legacy still lingers. As Vargas' Labor Minister he first used his demagogic ways to attract the crowds.

He was paired with Juscelino Kubitschek as Vice-President to give Kubitschek more labor votes. Goulart calmed down and behaved himself as Vice-President under Kubitschek—so much so that he almost slipped into obscurity. When Goulart visited Nixon in Washington in 1956, he was "accepted" by the U. S. as a labor spokesman for Brazil.

**How far left?** Goulart has never been a Communist. But by courting the Communists, especially in labor ranks, he has got a reputation as a fellow traveler. But in Brazil almost every politician worth his salt tries to use the Communists.

Goulart's main failing seems to be his demagoguery. It's questionable whether he can supply the firm hand and stiff medicine Brazil desperately needs if it is to move ahead economically.



Janio Quadros sparked political storm when he suddenly gave up presidency under attack from...



Carlos Lacerda and other conservatives who opposed Quadros' flirtation with Castro and Communists.

# Why yeggs go for fine art

Thieves are taking a lot of great paintings despite loot-disposal problems



Are art thieves idiots, cranks, or geniuses?

That's the big question in the world of art, as the series of spectacular art robberies here and abroad continues. Since mid-July, 76 paintings valued at nearly \$5-million have been purloined in France, England, and the U.S.

The wave started when 57 modern masters were trucked away from a museum at St. Tropez, on the French Riviera. At two-week intervals came a strike at the home of collector G. David Thompson in Pittsburgh, and another at Aix-en-Provence, in the south of France. The latest robbery was last week, when a portrait of the Duke of Wellington by the Spanish painter Goya vanished from London's National Gallery.

**New interest in art.** Art dealers suffer minor thefts all along, insurance companies report. But until the past few years, major art robberies were rare. The recent takes represent probably the most money ever involved in a concentrated outbreak of art thefts. Last year, about \$500,000 worth of modern art was stolen from a restaurant in the south of France, and in 1959 some \$1-million in paintings vanished from the Toronto Art Gallery.

Most experts agree that the soaring values of paintings are behind the growing artistic interests of yeggmen. This is due partly to spreading wealth in the Western world, and partly to the fact that more and more masterpieces are being removed from the market by museums. The value of paintings traded at auction and privately last year was \$100-million, Howard Katzander, editor of International Art Market Newsletter, estimates. This, he figures, was nearly triple the amount sold in 1955. A couple of years ago, a Cezanne sold for \$616,-

000; a half century earlier, it was valued at \$800. One of the Cezannes stolen at Aix-en-Provence recently was valued at more than \$1-million.

**Motivation.** The perplexing thing about the art robberies is what motivates the robber. The riches represented in a few square feet of easily rolled canvas might seem a likely target. The catch is, there is no real market where the robbers can dispose of such loot. Any painting of value is widely publicized in art books and catalogues, and is easily recognized by art dealers and collectors.

According to J. Rickett, a director of the august London auction house of Sotheby's, art thieves are outright idiots. "There just isn't a black market for famous paintings," he says. There's some speculation that stolen paintings wend their way to South America, North Africa, or even behind the Iron Curtain. Most experts doubt this. Says Leslie A. Hyam, president of New York's auction house, Parke-Bernet Galleries, Inc.: "I don't think they are marketable at all." The paintings stolen from the Toronto gallery, in fact, were found in a barn after an anonymous telephone tip.

Thefts from private homes often suggest that art thieves don't really know what they are up to. They come in looking for jewels, fail to find them, and grab paintings instead, one insurance underwriter thinks. Often, he adds, they take the least valuable paintings, or tear the canvases from the stretchers and damage their loot.

**Crank thieves.** Many thefts in the past have proved to be the work of cranks, and this is not ruled out in the current wave. There are several kinds of cranks, however. One is the "mad collector," a living counterpart of G. K. Chesterton's fictional Flam-

beau, who pilfered art all over Europe for his secluded citadel.

The most common type of crank thief is one who steals or destroys art for publicity. Last year, for instance, a young German author defaced a Reubens in a Munich museum. He later explained that he was mad at the world because he had been unable to get a book published.

Often the cranks act through political motives. Da Vinci's Mona Lisa was stolen from the Louvre 50 years ago by an Italian who wanted to return the enigmatic beauty to her homeland. In 1956, an Irish nationalist walked out of London's Tate Gallery with Berthe Morisot's "Jour d'Ete" under his arms—after inviting photographers to watch him do it. The painting had been bequeathed to the Dublin museum by its owner, but British courts invalidated the will and retained the painting.

The recent theft of the Duke of Wellington may have been committed by just such a crank, some museum people believe. Its sale to Charles B. Wrightsman, a New York private collector, aroused a storm in England. Wrightsman then sold it to the British government, and it had hung in the National Gallery less than three weeks before it was stolen. Parke-Bernet's Hyam, for one, theorizes that the culprit could be an Irish nationalist. The Duke of Wellington, after all, was an Irishman as well as Napoleon's nemesis.

**Oilnapping.** Interpol (International Police) Headquarters in Paris, however, sees a much more ingenious development in the new outbreak of art thefts. Interpol thinks that the fencing of paintings has become the equivalent of kidnapping. Last week, an Austrian company that insured the Cezannes at Aix-en-Provence announced: "We want

# Long Distance pays off in extra sales



*" 'Sell-by-phone' campaigns produce extra business for us"*

says Henry Stein, president,  
Whitlock Manufacturing Co., Yonkers, N. Y.

"Four to six times a year we give our hardware sales a shot in the arm through special 'sell-by-phone' campaigns," reports Mr. Stein. "For a few days our salesmen canvass their regular dealers and prospects by Long Distance.

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## LONG DISTANCE RATES ARE LOW

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Yonkers, N.Y. to Baltimore . . . .	70¢
Cincinnati to Detroit . . . . .	85¢
Nashville to Chicago . . . . .	\$1.15
San Francisco to Salt Lake City . .	\$1.35
Tulsa, Okla. to New York . . . .	\$1.70

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those paintings back and we're willing to pay—no questions asked."

Although neither the National Gallery's Goya nor the 56 paintings from St. Tropez were insured—governments and local authorities seldom insure their property—Interpol expects some type of extortion by the thieves. Nineteen of the 20 paintings stolen from the French restaurant last year have been returned, and Paris art circles hint there was some kind of a ransom deal.

Pittsburgh's Thompson offered a \$100,000 reward for the return of his paintings, valued at nearly \$400,000, with "no questions asked."

**Underwriters worry.** The current epidemic of thefts is causing concern among underwriters, as well as among museum directors and art dealers. Paintings have long been a profitable object of underwriting—the rates are low, and were even reduced by 16½% this year. But one New York insurance company that specializes in fine arts says: "We... can't say we haven't become a bit apprehensive." Another underwriter notes that most of these thefts occurred outside the U.S., and have not touched off any stampede by dealers for heavier coverage. But, he adds: "If we had one or two more burglaries here we'd get a flood."

**Security measures.** "Strong precautionary measures" are promised by Parke-Bernet when it auctions off some old masterpieces in November. On sale will be a Rembrandt that Hyam expects to bring more than \$1-million, which would be the highest price ever paid at auction. Since most famous paintings are sold at public auction, prices are ballyhooed in the press.

Museums, too, are taking a new look at their security measures. James Rorimer, director of New York's Metropolitan Museum of Art, says that his museum—one of the few where guards are armed—and others are always reconsidering security. In fact it was a key topic at the annual meeting of the International Council of Museums in Paris, just after the St. Tropez thefts.

French police asked the Louvre to stop publishing floor plans with precise indication of where masterpieces are located. In a curt refusal, Louvre directors said: "There are many more art lovers than thieves, and they must be able to find the works they come to see."

After the 1960 restaurant theft at Cote d'Azur, a Paris daily ran a map pinpointing leading museums and private collections in the area—with the value of each collection.

## Schlumberger merges with Daystrom in a surprise deal

The oil field equipment manufacturer now is a strong contender in the growing and highly competitive instrumentation and systems control fields

**Like an announcement** of a wedding that hadn't even been rumored, the news this week that Daystrom, Inc., and Schlumberger, Ltd., were merging set off fireworks.

The first burst: Schlumberger, big but barely known Texas company, will be the surviving company—and will take over Daystrom's listing on the New York Stock Exchange.

The second: Electronics industry operators see the merger creating a big and financially strong contender in rapidly growing instrumentation and systems control fields.

**The assets.** Schlumberger provides the merger with financial muscle—last year it cleared about \$17-million after taxes on \$131-million sales of oil field equipment. Daystrom, although it cleared only \$600,000 on sales of \$92-million last year, brings to the merger a wide variety of electronic instruments and control devices and an established position in the defense business and a number of industrial markets.

Here are the other main terms of the merger agreement and the expected realignment of top management:

- Daystrom will become a separate division of Schlumberger.

- One share of Schlumberger stock will be exchanged for every two of Daystrom outstanding.

- Pierre Schlumberger remains as president and chief executive officer of the combined company. Thomas R. Jones, Daystrom chairman and chief executive officer, becomes vice-chairman of Schlumberger. The new Daystrom Div. will be run by Daystrom Pres. John B. Montgomery.

Schlumberger, Ltd., is relatively unknown outside the oil business. The company was founded before World War I in France by Conrad and Marcel Schlumberger, who invented a technique for recording drilling operations. Drilling instrumentation is still the backbone of the company's business. The company started operations in the U.S. in the 1920s. In 1957, it set up headquarters in Houston to direct its

worldwide activities. The Schlumberger family owns more than half the stock.

**Branching out.** Although Schlumberger has been profitable, in the last few years it has become leery of being too dependent on the oil business. Like other suppliers of services to the oil exploration, drilling, and production companies, it has been hurt by the periodic oversupply of oil and the resultant slowdown in drilling. So it started edging into various areas of the electronics business about five years ago.

It bought controlling interest in Computer Systems, Inc., a manufacturer of analog computers in New Jersey; a telemetering equipment maker, Electro-Mechanical Research, Inc.; and, more recently, American Systems, Inc. In addition, the company has been investing heavily in its own instrument research at its laboratories in Ridgefield, Conn.

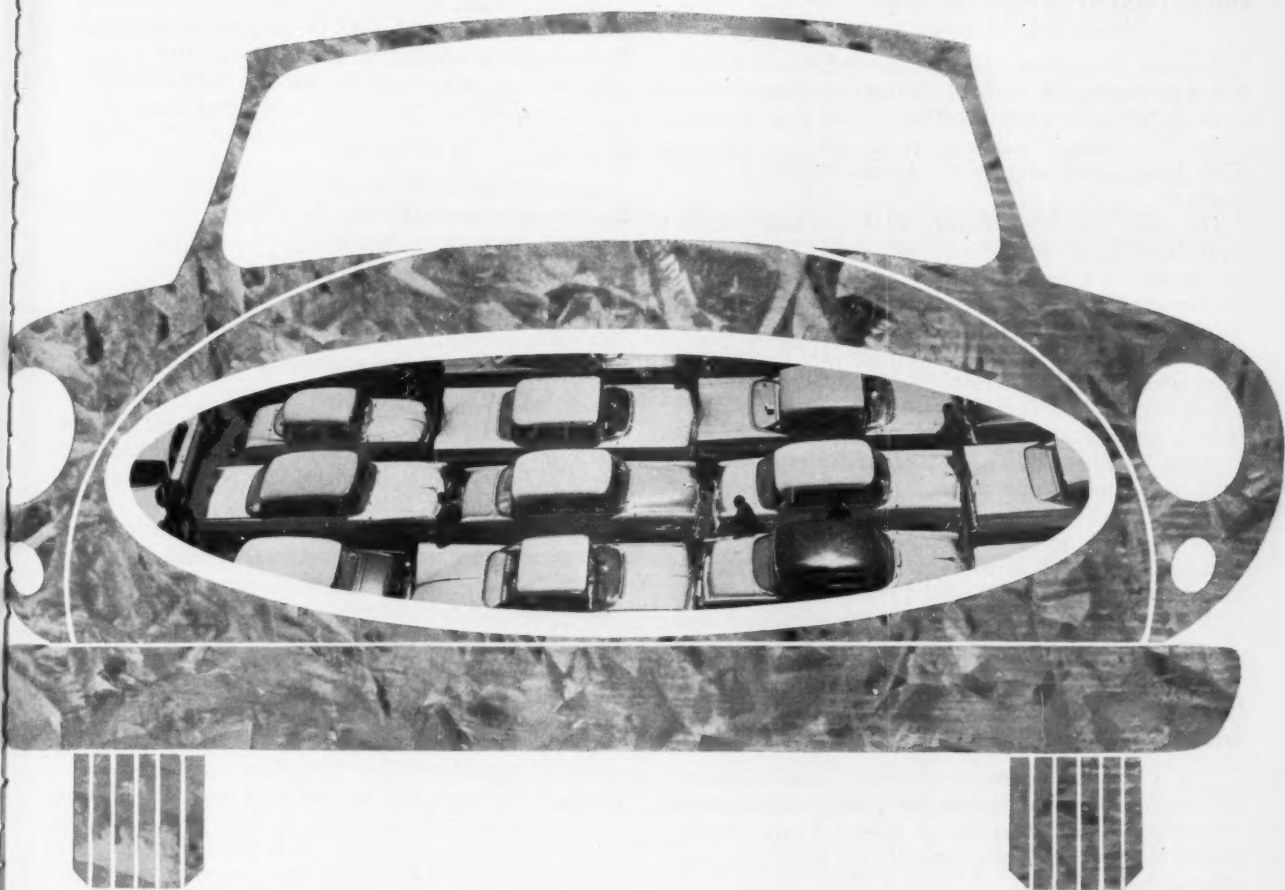
So far, it is unlikely that Schlumberger has made very much profit from its electronic and industrial control systems operations.

**Plenty of competition.** Actually, almost no company is making money yet in industrial instrumentation and control systems for two reasons: (1) intense competition, and (2) rapid pace of technological developments in the field. Although industrial controls are generally conceded to be one of the most fertile industrial growth markets, no one doubts that it will be expensive to stay on top. Competition includes almost all the industrial giants in electronics.

And newcomers of considerable size are coming into the field all the time. Even the big aircraft and space companies are trying to get a foot in.

**Staying power.** With all this competition, Daystrom just wasn't generating enough profits. It couldn't, for example, take on many jobs that would cost it money but gain important knowledge that would pay off later. Schlumberger on the other hand, has the reserves to wait several years before the profits roll in.

More parts in more new cars fend off corrosion . . .



## GUARDED BY GALVANIZED STEEL

In 1960 the Motor City consumed a massive 218,964 net tons of galvanized steel sheets to fight car corrosion. That's 38% more than was used in 1959 and over 700% more than in 1954.

In the average compact car, for instance, Detroit now uses over 100 pounds of corrosion-resistant galvanized steel sheets. The results are numerous and notable: Car owners are getting greater durability and a sharp drop in maintenance costs and headaches. Manufacturers are getting the cost reductions inherent in galvanized steel's simplified fabricating procedures. Head and tail lamp housings, for instance, formerly required five or six steps when zinc plated or painted after stamping. Now they are moved direct from press to assembly line with their tight zinc coatings completely undamaged by

fabrication. The same economies apply to side members, rocker panels, front and rear rails and cross members.

**WEIRKOTE,® IN PARTICULAR!** Widely used Weirkote is a natural for automotive applications, and the auto industry has been quick to put it to extensive use. To the inherent strength, economy and versatility of steel, Weirkote adds enduring zinc protection that can be worked to the very limits of the steel base without chipping or peeling. This superior product is the end result of years of experience and technical research devoted to coating steel sheets with zinc. Weirkote is manufactured by two National Steel divisions, Weirton Steel and Midwest Steel. Write Weirton Steel Company, Weirton, West Virginia, for further details.



**MIDWEST STEEL**  
Portage, Indiana

**WEIRTON STEEL**  
Weirton, West Virginia



Divisions of  
**NATIONAL STEEL CORPORATION**

## Still more powerful solid-fueled rocket stars in test by Aerojet-General

Just before it test-fired the most powerful solid-fueled rocket yet, Aerojet-General Corp. last week announced confidently that by 1964 it will have a solid-fuel booster to launch a manned spacecraft on its way to the moon. Such timing could advance the Apollo program by two years.

The static test-firing, shortly after a similar test by rival United Technology Corp. [BW Aug. 12 '61, p38], was the fourth of five progressively more ambitious tests by Aerojet-General, a subsidiary of General Tire & Rubber Co. An 80-ton engine, 45 ft. long, was assembled from four segments. The company said it produced more than 500,000 lb. thrust. Press observers estimated a burning time of 87 sec., a safe rate of burning for human passengers.

Exec. Vice-Pres. William E. Zisch said plans to expand solid-fueled rocket operations include acquisition of a larger new site—the 20,000-acre Sacramento site is already crowded. Aerojet has options on oceanfront sites of 25,000 to 80,000 acres in Dade County, Fla.; the vicinity of Corpus Christi, Tex.; and on the Pacific Coast. A choice will be made within 90 days, Zisch said.

## Auto bargaining showdown next Wednesday, with GM selected as prime target

For the first time in a decade, the United Auto Workers is picking a fight at General Motors Corp., world's largest manufacturing company. UAW's executive board this week picked that target for a strike unless a contract is signed by 10 a.m. next Wednesday. Ford Motor Co. was singled out by the union in both 1955 and 1958.

Contracts, scheduled to expire Thursday this week, were extended until Wednesday at the request of William E. Simkin, director of the Federal Mediation & Conciliation Service.

UAW chief Walter P. Reuther, now personally leading the bargainiers for the union, won his principle of profit-sharing at American Motors Corp. (page 37) and now says he is determined to get substantial improvements in fringe benefits at the Big Three. He says he told GM that "we are not going to strike over progress-sharing." In a carom shot at AMC's deal, GM Vice-Pres. Louis G. Seaton commented: "Whatever benefits we propose we are prepared to pay for and will not depend upon the uncertainties of the future."

## First National buys 164 Safeway stores that had only modest success in New York

After a 20-year effort to crack the metropolitan New York market, Safeway Stores, Inc., the nation's No. 2 food chain, gave up this week. It sold its New York

division of 164 stores to the ninth-ranking chain, First National Stores, Inc., Somerville, Mass.

Safeway, based in California, bought its way into the New York market in 1941 by acquiring the Daniel Reeves and National Grocery Co. chains. But it apparently never prospered in the nation's top market as it has in the West or even in its only other Eastern outpost, a string of about 200 stores in the Washington, D. C., area.

Safeway says it will continue its expansion program, opening 160 stores and closing 120 older and smaller ones this year.

## Elevation of new president at Seiberling marks truce between company's top men

A change in top management of Seiberling Rubber Co. this week apparently settled a feud of several years between the company's chairman, J. P. Seiberling, and its largest stockholder, Edward Lamb.

Seiberling remains as chairman but passed his other titles of president and chief executive officer along to Harry P. Schrank, who had been executive vice-president. Trade sources suggest that Seiberling and Lamb were led toward agreement when Schrank a few months ago was offered a presidency elsewhere. They agreed the company couldn't afford to lose him, and Seiberling said he would step aside.

"I hope the feud is over," says Lamb, a director who owns or controls 40% of Seiberling stock. He said a conflict of interest suit he had filed against Seiberling is now "under discussion" out of court; a libel suit was dismissed two weeks ago. Lamb led an unsuccessful proxy fight against Seiberling five years ago [BW Apr. 28 '56, p36] and now has five members on the 15-man board.

Both Seiberling and Lamb say Schrank is the best man available to improve the company's poor profit record. Last year Seiberling made only \$130,000 on sales of \$48-million.

## Business briefs

The Metropolitan Opera seems likely to raise its great gold curtain on Oct. 23 after all for Puccini's *Girl of the Golden West*. Both sides [BW Aug. 12 '61, p86] agreed to abide by arbitration that began this week before Labor Secy. Arthur J. Goldberg.

CAB this week, as predicted, scrapped minimums in air cargo rates [BW Mar. 4 '61, p28] to enable the industry to build up volume on the operating economy of new freight planes.

The Navy announced plans to award \$835-million of shipbuilding and overhaul contracts to private shipyards in the current fiscal year. This is in addition to \$865-million worth of contracts for Polaris submarines.



# Washington outlook BW

September 2, 1961

## **Tougher line on steel prices still just talk**

The Administration is hardening its line against price increases—with steel mostly in mind.

Pres. Kennedy virtually invited questions on the subject of a steel price rise at his press conference this week. White House aides let it be known 24 hours before the conference that Kennedy had been especially briefed on the subject.

Kennedy also revealed, at a coffee hour for senators in the White House Tuesday, that he had read recent Senate debates on steel prices and profits.

In his press conference Kennedy warned about the possible inflationary impact of a steel price rise. He said he had been told that the companies were making enough money to absorb a forthcoming wage hike without raising prices.

This falls short of what a group of liberal Democrats in the Senate had hoped for. This group, led by Sen. Albert Gore of Tennessee, has been hammering at the steel industry the past couple of weeks. They've been hoping Kennedy would threaten direct action against the companies.

As a matter of fact, the Administration does not have specific steps in mind in case steel prices are raised. Right now, at least, it has no real threats to make, or punishments to warn about.

There have been hints that the Administration might try to apply a 1951 Federal Trade Commission order against steel price-fixing. Gore believes that any uniform increase would be a violation of this order, but FTC officials feel they would have to prove collusion or conspiracy. With the electric price-fixing cases freshly in mind, officials assume that steel executives are avoiding the slightest semblance of a misstep.

A price rise would be certain to revive interest in a bill to require prenotification of price increases in key industries. Such a bill has been discussed in Congress for several years.

## **GOP tags spending, appeasement as Kennedy's faults**

Republican leaders are probing the issues where they think Kennedy is vulnerable. They are laying the groundwork for a GOP position in next year's Congressional elections.

**Appeasement and inflation are the points they stress.**

The GOP accuses Kennedy of appeasing the Soviets in his foreign policy, and of stoking up potential inflation at home with his spending policies.

William E. Miller, GOP national chairman, sets the tone for Republican strategists. He argues that events in Laos and Cuba, the dragging on of negotiations over a nuclear test ban, and statements by some of Kennedy's top foreign affairs advisers all indicate "appeasement in this area of dealing with Communism. . . ."

The Republican aim is to add to this list.

The next addition may be Kennedy's decision to negotiate with Khrushchev over Berlin. Miller in a TV appearance this week stated flatly that there is nothing to negotiate—a warning that GOP support for Kennedy over Berlin will cease when the matter gets to the bargaining table.

Gov. Nelson Rockefeller of New York has joined the GOP leaders attacking Kennedy's spending programs. This week, he accused Kennedy of piling up expenditures without knowing where the money is coming from.

## Washington outlook Continued

**GOP hopefuls all seem eager to run in 1964 race**

Rockefeller is acting like a man who intends to run for President in 1964 against Kennedy.

So are Richard M. Nixon—the man Kennedy beat last year—and Sen. Barry Goldwater of Arizona, the favorite of the conservatives.

None of these men seems to be impressed with the argument that Kennedy will be hard to beat because he will be occupying the White House with its vast powers of publicity and maneuver.

One reason is that Republicans think it likely they can gain the 45 seats necessary to take over control of the House in 1963.

If they do this—or even come close—the Republican nomination in 1964 will be a major prize, touching off a bitter three-way contest.

**House slaps Kennedy on school aid**

Kennedy suffered his most direct, personal defeat at the hands of Congress this week when the House angrily refused to consider a general school aid bill he had personally requested.

It was a lopsided vote, remindful of the days when Congress delighted in rebuffing Pres. Truman and occasionally Pres. Eisenhower.

The vote was preceded by a GOP caucus in which Minority Leader Charles Halleck told Republicans the bill was being rammed down their throats. Only six Republicans deserted Halleck on the issue, while 70 Democrats deserted Kennedy.

Aid to areas drastically affected by federal activity and a college construction bill will come up later and probably will pass.

**Dillon faces first big test as chief defender of dollar**

When the International Monetary Fund meets later this month in Vienna, the big topic at the official sessions will be plans to strengthen the fund as a reserve mechanism for international payments.

But the big job facing Treasury Secy. Douglas Dillon and other U. S. representatives is to convince the world's bankers that the Kennedy Administration means to defend the value of the dollar here at home.

Dillon's task will be to convince the doubters that a balanced budget is a real prospect for next year, and that the Administration intends to pursue a strong anti-inflation policy.

It's the kind of job that can't be done in official statements or in discussions from the floor. It will have to be done in private conversations and at dinners and receptions—where most of the significant work of the IMF annual meeting is usually carried on.

Dillon has a practiced touch in personal diplomacy, gained as Under Secretary of State under Pres. Eisenhower. Much that happens to the dollar over the next year may depend on the impression he makes at the Vienna meeting.

**Special GM unit is set up in Justice Dept.**

A special unit to handle all complaints and investigations involving General Motors Corp. has been established in the Justice Dept.'s Antitrust Div. It's not unusual for the antitrusters to establish special teams to keep close watch on specific industries, although individual companies usually don't get this much attention.

The Antitrust Div. is in the midst of a top-level reorganization. The GM unit is being set up apparently as a part of this. Justice has three antitrust complaints against GM pending in the courts and a couple of grand jury inquiries under way. Officials say the purpose of the new unit is to avoid overlapping effort or inconsistencies among Justice lawyers.

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# Profit-sharing plan is victory for UAW

Contract with American Motors gives employees an equity in company, spells out new work rules



AMC's Cushman and UAW's Reuther "shake" on new pact

Industry passed a milestone early last Saturday morning when Walter P. Reuther, president of the United Auto Workers, and Edward L. Cushman, vice-president of American Motors Corp., (picture) announced an agreement "in principle" on a profit-sharing plan to be incorporated into a new labor contract.

American Motors probably is the largest U. S. company to negotiate a profit-sharing and stock gift plan with a union; and regardless of the form of settlement between UAW and the bigger auto companies, there has been recognition by a large manufacturer in a very volatile industry that hourly workers should get a bigger cut of the take when times are good.

For some time now, George Romney, president of American Motors Corp., and Reuther both have repeatedly urged a sharing of the "fruits of progress" among customers, workers, and owners. This is why Reuther's cry of "everybody won" when announcing an AMC-UAW agreement on economic issues is not so hollow as it sounds.

**New concepts.** The agreement, announced last Saturday after three days of intense bargaining, not only provides for the first profit-sharing plan in the auto industry but also increases the workers' "equity" in AMC with these concepts:

- A stock gift to hourly workers.
- Increases in supplemental unemployment benefits (SUB) payments and duration that bring UAW a long step toward realization of a true guaranteed annual wage.
- Creation of a "noninflationary" fund from which to draw the "most liberal benefits" in fringe areas ever available to auto workers.
- Continuation of the fixed-cost

commitments of the annual (productivity) improvement factor and the cost-of-living "escalator" clauses. Despite recent trends in collective bargaining toward restriction of both programs, UAW won from AMC both the 2.5% annual improvement factor wage hike (about 7¢ an hour) and a c-of-l clause without a ceiling.

- A new short-work-week benefit providing a worker with one-half his regular wage for all hours less than 40 a week.

The entire plan is called "progress sharing," an AMC term that Reuther wasn't hesitant in accepting.

**AMC's offer.** Reuther, whose own profit-sharing scheme—25% of pre-tax profits in excess of 10% of net worth—made no headway whatsoever in 1958 bargaining (AMC only started making profits in 1958), was able to push AMC into sweetening its own original profit-sharing plan. On July 28, at the fourth AMC-UAW negotiating session, Cushman unveiled a plan under which 10% of before-tax profits, after deduction of 10% of stockholder equity, would be put into a fund. UAW could draw from the fund in wages, bonuses, or fringe benefits as it saw fit. In talks with Cushman, Reuther won an argument that AMC's original plan did not reflect the "equity" of the worker, and he got an additional 5%—to be paid in stock.

Based on AMC's before-tax profits of \$105-million in the fiscal year ending Sept. 30, 1960, about \$8.3-million would have gone into the fund, after deducting 10% of the \$220-million stockholder equity. The 5% in stock would have amounted to about \$4.1-million, with which authorized but unissued AMC stock would have been bought. As is common with employee stock plans involving un-

issued shares, AMC consequently would have benefited by the addition of about \$2-million to its capital. Actually, as Wisconsin—where most of AMC's plants are located—also has a corporation income tax, the tax-free capital would have been greater.

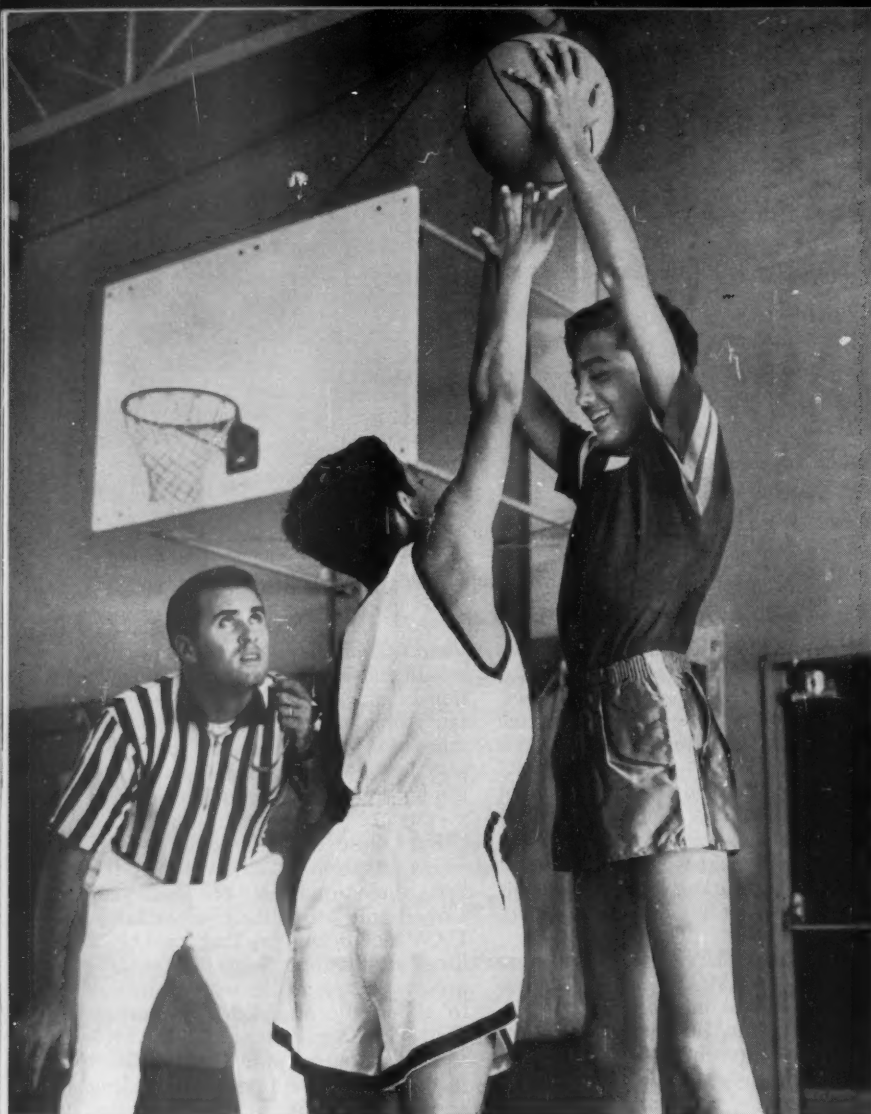
But those figures don't fit this year's situation at all. AMC in the first three quarters of this year earned only \$45-million before taxes. UAW technicians say that for AMC's fiscal year ending Sept. 30, the 10% progress-sharing plan would amount to about 10¢ an hour per worker. However, \$3-million of a joint AMC-UAW insurance fund will be placed in the fund at the beginning, adding another few cents for the first year.

**Stock plan.** Actually, only the 10% phase of the plan will put cash into the fund. A trustee appointed by AMC's board of directors will administer the stock plan and vote the shares. The stock will be registered in the name of individual employees, and dividends paid to them. On the basis of a \$60-million pre-tax profit this fiscal year, the 5% in stock would amount to about \$1.9-million. At the recent \$19.50 price per AMC share, the company could buy up 97,435 shares, with each worker getting about four shares.

**Priorities.** The cash fund resulting from 10% of AMC pre-tax profits, Reuther said, would be used according to three priorities:

First, a portion would go into AMC's pension fund to increase a worker's payments after retirement to \$2.80 per month for each year of service. At present, AMC pays \$2.40 for each month of past service and \$2.50 for future service. GM, Ford, and Chrysler Corp., in their economic offers to UAW, proposed rais-





## SIZE is Important!

In banking, size is a measure of a bank's facilities and capabilities for providing complete financial services. As Florida's largest bank, First National ranks 92nd as to deposits among the more than 14,000 commercial banks in the nation. Good reason to call on The First National Bank of Miami when you need a banking connection in Florida.



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MEMBER: FEDERAL DEPOSIT INSURANCE CORPORATION • FEDERAL RESERVE SYSTEM

ing pensions only to \$2.60 a month after 1961.

Second, what is left of the cash fund will go toward paying the part of health insurance premiums that now are paid by the workers. UAW has demanded that the Big Three, now paying half of the workers' health insurance costs, assume the full load. But GM, Ford, and Chrysler offer to assume full costs only by lopping a penny or two off the top of the improvement factor increase. AMC wants to use the same method if in any given year profits are so low that the cash fund cannot meet the health insurance costs.

Third, if the cash fund still contains uncommitted moneys, they will go into the SUB fund.

Although the contract would go into effect immediately and extend three years, the first profits will not be paid into the fund until the end of the next fiscal year. Until then, the \$3-million transferred from the joint insurance fund will pay the workers' present share of health premiums. This will mean a 4.5¢-an-hour wage hike for each of AMC's 23,000 workers.

**SUB payments.** Irrespective of the progress-sharing fund, SUB payments are increased from a maximum of \$30 a week to \$40, plus \$1.50 for each dependent up to four. Duration of SUB payments is boosted to 52 weeks from 34.

At present, SUB payments, combined with unemployment compensation from the state, equal 65% of a worker's weekly take-home pay. The AMC plan increases this to 75%.

AMC workers also would be eligible for two distinct types of short work week "makeup" benefits. If the company schedules a short work week because of poor sales, each worker would get 65% of pay for each hour not worked up to 40.

For an unscheduled short work week (i.e., due to bad weather, etc.), a worker will be paid one-half of his wage for all hours less than 40.

**Big step.** Reuther says that the "augmented and extended SUB plan, coupled with the profit-sharing, represents the most significant step in bargaining history toward a guaranteed annual wage—which is ultimately a salary."

The present AMC-UAW contract runs out Sept. 6; Cushman insists that the novel profit-sharing plan is acceptable to AMC only if the union makes concessions in work standards, seniority, and other plant matters. No one seriously believes that the union will be so obdurate in these as to peril one of Reuther's most important collective bargaining victories. **End**

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## A chink in Hoffa's invincibility

Stories appearing in the newspapers lately are beginning to cast some doubt on the invincibility of James R. Hoffa, strongman president of the International Brotherhood of Teamsters. Some tell of the union's desperate fight to keep 4,000 Cincinnati drivers from bolting the union. Others note that union membership, as reported to the Labor Dept. in compliance with the Landrum-Griffin labor reform law, declined some 84,000 during Hoffa's reign.

The meaning, which is of vital interest to businessmen as well as others affected by the changing labor scene, seems to be that Hoffa still has troubles and may have more in the future. It does not mean, however, that he is about to be toppled from power or that Teamsters' dynamism is a myth. As recently as his union's July convention, he received overwhelming support for his program—including a big hike in membership dues [BW Jul.15'61,p104].

Hoffa, nevertheless, is concerned enough about any dilution of his strength to pull out all the stops to counteract it. That's why he had his No. 1 braintruster, his crack lawyer, and upwards of 50 Teamsters' representatives converge on Cincinnati to deal with the defecting locals. Hoffa himself showed up last Sunday to join the fight. In four days, they poured \$20,000 into publicity alone in an effort to reclaim four locals of dairy, soft drink, taxi, and funeral drivers, who represented only 0.3% of Teamsters membership. They will undoubtedly spend many times that amount.

There are several reasons for the fierce fight over such a small defection. First of all, Hoffa wants to keep the secession move from spreading. More important, he wants to preserve his reputation for being unbeatable. He fears that even a slight setback might slow up his organizing drive, which seeks to attract new members on the basis that the Teamsters are winners, that the union has a big and important future. The defection might also reduce the pressure within the AFL-CIO for readmission of the Teamsters, a goal Hoffa seeks.

This pressure is based on the proposition that Hoffa is unbeatable, so why not have him on our side? The Cincinnati situation gave AFL-CIO Pres. George Meany an opportunity to prove that this isn't so. That's why he decided to end his policy of nonintervention in the Teamsters' internal affairs. The move comes just four months before an AFL-CIO convention that might have to consider readmission of the Teamsters.

In the Cincinnati fight, an AFL-CIO regional official worked openly with the dissidents. Meany himself had a well-publicized interview with James T. Luken, who heads the seceding locals. United Auto Workers Pres. Walter P. Reuther interrupted coverage of auto negotiations to give Luken time on the UAW radio program.

The situation had other values for the AFL-CIO. It could keep Hoffa too busy to poach on AFL-CIO jurisdictional territory. It also could have the opposite effect

—Hoffa might be sufficiently angered to retaliate.

Most observers believe, however, that the Teamsters' actual membership loss is not likely to be high. Some members who agreed with Luken that Hoffa had taken too much power in his own hands might be emboldened to follow Luken's example. About 5,200 Chicago cab drivers recently left the Teamsters for an independent union. Last week 200 St. Louis cabbies followed suit. But no large desertion is expected.

Another issue, the Teamsters' recent dues increase, might create more trouble. Last week workers of the Scott County Milling Co., a small Missouri company that had dealt with the Teamsters for 20 years, voted to switch to the AFL-CIO Grain Millers. Workers who earn \$1.60 to \$1.80 an hour said they weren't going to pay \$6 a month in dues.

Teamsters officials feared a similar reaction among cannery and food processing workers on the West Coast and among industrial locals generally. The new dues resolution contains a "hardship clause" excusing the low-wage workers from paying the higher dues, but it's not always easy to persuade union officials that dues payment constitutes a hardship.

But the backbone of Teamsters membership is the long-haul truck drivers. And observers agreed that Hoffa has little to fear from them. Most are satisfied with their union and their leader. And although some locals might prefer the respectability of AFL-CIO affiliation, few would risk their contracts, which are tied indirectly to the international union.

At worst, Hoffa probably stands to lose far fewer members than the 84,000 Labor Dept. records indicate he has already lost. According to these figures, Teamsters membership declined from 1,565,000 in 1957 to 1,481,000 in 1960.

The loss percentage is comparable to that of many AFL-CIO unions and is readily explained by the eroding effects of automation and recession, which have more than wiped out organizing gains in most unions. But that's precisely the point, AFL-CIO officials commented gleefully—Hoffa was assumed somehow to be exempt from the ordinary economic processes that affected others.

Actually, the membership decline was probably smaller than it appears to be. Many unions inflated their membership figures in the days before they were required by law to report them to the Labor Dept. Hoffa's predecessor, Dave Beck, was notorious for this.

In any case, the Teamsters' energetic approach to organizing and the results it has produced are matters of personal knowledge to most AFL-CIO officials. They don't deny them, any more than they claim the Cincinnati situation means Hoffa has become a pushover. But they feel this summer's events prove he isn't a superman. And they earnestly hope that Teamsters members or potential members realize this.



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Fledgling secretaries at Katharine Gibbs School are well drilled in basic office skills such as shorthand and typing



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# 'Katie' Gibbs grads are secretarial elite

Graduates of Katharine Gibbs—one of the few secretarial schools of its kind—are in such demand that many of them can pick their own jobs, be choosy about salary

"Wendy Scott, Secretary" is a young lady any executive would rush to employ. She's courteous, self-assured, proficient—it's hard to believe that she has real-life counterparts.

Wendy is the heroine of a novel of that name, soon to be published. Her experiences at the fictional Kathleen Briggs School mirror those of the girls who attend the Katharine Gibbs School (cover)—a venerable institution with headquarters on New York's Park Avenue. Compared to the conventional production-line secretarial school, "Katie" Gibbs is almost in a class apart: It is dedicated to the proposition—slightly old-fashioned but still valid—that the modern executive still needs a high-caliber secretary.

**Short supply.** From statistics, you would think there is no secretarial shortage. In 1940, there were about 1-million female secretaries; by last year, some 2.3-million. If the 20,000 or so business schools and high schools that teach the rudiments—typing, shorthand, and spelling—keep churning out graduates at the present rate, the ranks should swell to 3-million by the end of the decade.

But marriage takes a continuing toll on both new graduates and experienced secretaries. And—despite labor-saving office machines—there seems to be more and more office work to be done. The Organization Man evidently is an insatiable letter-writer and composer of inter-office memos. As a rough guide, note that the Post Office Dept. shipped 33.2-billion pieces of first-class mail last year—against 15.2-billion in 1940.

**Seller's market.** It adds up to a seller's market for the highly trained secretary. For Katie Gibbs girls, it means about seven openings are on the books each year for each graduate.

Girls from other top secretarial schools—for instance, Chandler in

Boston, Wood or Berkeley in New York—start at or near \$75 a week, compared to \$55 for run-of-the-mill grads. Many employers will pay extra to get a Gibbs girl; one started out this summer at \$90. And the future is bright: Whatever their schooling, the best, experienced executive secretaries may eventually earn \$100-\$200 a week, and in rare cases even more if they are working for a president or board chairman.

At that price, executives can buy quality—something that Katie Gibbs and other top schools aim to provide. Back in the good old days, you could get a brace of secretaries for the price of one today. Now, in many cases, you need two girls to handle all of the work formerly done by only one.

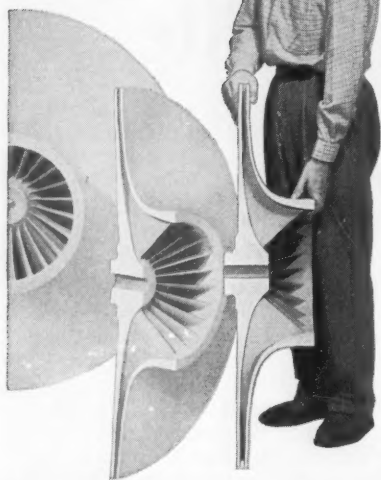
**Time-tested rules.** To turn out its product, Katie Gibbs follows the old reliable approach: hard work, discipline, and time-tested rules of social behavior. It operates much like a New England prep school that has never been touched by progressive education. Says Gordon Gibbs, president and son of the school's founder: "It all comes back to the absolute integrity of our staff in wanting to do the best possible job in a very thorough way."

**Family-controlled.** One Yankee virtue the school lives up to is the knack for making money. The most that Gibbs will say about profits is that income before taxes and pension plan adjustments runs 5% to 8% on an annual gross of nearly \$2-million. Total assets exceed \$1.5-million and net worth is more than \$500,000. That's a far cry from the \$1,000 stake with which Katharine Gibbs started her first school in Providence 50 years ago. Since then, it has branched out to Boston, New York (where it will move to the new Pan American building next year), and Montclair, N. J.

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Vice-President Marion Beck (left) and Grace Cheney review curriculum

ment and training, the school established Katharine Gibbs Consulting Service—with such paid clients as Texaco, Inc., and First National City Bank of New York.

The Gibbs family tightly controls the stock of Katharine Gibbs School, Inc., though some stock is held by officers outside the family. Eventually, controlling interest will go to the tax-exempt Gibbs Foundation established in 1958 to administer charities. Says Gibbs, the president: "This is not my school or my family's; it's a national institution, and it's my job to see that it's perpetuated."

**Stress on English.** One of the traditions of the Gibbs school is its respect for the English language. From a simple "business communications" course taught one hour a week before the war, Gibbs' English course has expanded to four hours a week with heavy emphasis on basic grammar, spelling, punctuation, and sentence structure.

In a sad commentary on the state of American education, Marion Beck, a Gibbs' vice-president in charge of instruction, says: "We have had to strengthen our English to compensate for the neglect it's given in high schools. In fact, even girls who come here from college have this problem." Quips Pres. Gibbs: "Today if you know where to put a comma, it's a sign of education; if you know where to put a semicolon, it's a sign of culture."

**No joy ride.** The Katie Gibbs student puts in a grueling 50-hour week—25 in class and 25 of home study. As one comely Gibbs graduate puts it: "This was no joy ride." In a school that is noted mainly for teaching the less mundane facets of secretaryship, there's something of a paradox: Most of the class hours (20 each week) go into learning what all businessmen cherish—shorthand and typing. But the paradox is explained by ex-WAVE Cmdr. Grace Cheney, a

Gibbs vice-president: "We want the girls to be so automatic in their basic skills that their minds are free to cope with the broader aspects of their jobs."

But since her aim is to become an executive secretary sooner or later, the Gibbs student is given a strong dose of executive thinking—quite beyond such directly applicable subjects as office procedures and telephone techniques. She studies production management, labor relations, banking and finance, accounting essentials, and current events. Those who take the two-year liberal arts course (about one-third of the 1,700 annual enrollment) receive further broadening in the areas of psychology, art or music appreciation, literature, history, and economics.

**Business bonus.** Everything the Katie Gibbs girl learns is calculated to enhance her value to business—whether it be how to sound pleasant over the telephone, or how to chit-chat about current events and music at the boss' cocktail parties. This is particularly true of Gibbs' training in personality and grooming. Says Miss Beck: "What earthly good can a girl be to an executive if he has to hide her in a closet?"

Every girl sits through a series of lectures on personality development, but it doesn't end there. "We all work at it all the time," says Miss Beck. In a tete-a-tete after school, in the middle of a typing class, or while she is sipping tea under the watchful eye of the residence director, the Katie Gibbs girl gets pointed hints on how to get along in the office. The essence of these tips, Miss Beck explains, is "to teach them not to be self-centered. They must learn to have a little consideration for others, because they must be able to work cooperatively in a group."

The trials and tribulations of the fictional Wendy Scott illustrate this basic precept. She learns that her



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Pres. Gordon Gibbs runs "Katie Gibbs" much like a New England prep school.

whole aim in life is to help her boss. She has to learn his peculiarities, and to respect them. Also, she must try to maintain harmony among her co-workers, avoid gossip, and shun office politics. Explains Authoress Lucy G. Mayo, who also lectures on office manners at Gibbs: "The Gibbs girl is at all times an understatement—nobody likes a pushy female."

**Prestige appearance.** Grooming is another matter of understatement. The Gibbs theme: "Don't make up—make down." Gibbs girls are graded on their efforts in seeking "prestige appearance"—not beauty, but an appearance that reflects good judgment and intelligence. Among the businesslike touches: street dresses rather than skirts and blouses; light use of cosmetics and jewelry; high heels and stockings; and for outdoors, hat and gloves. Fancy coiffures and flowing tresses are out. There are some diehards, of course. One ex-fashion model who went to Gibbs, Miss Beck says, "never did come around to our views."

**Qualifications.** One key to the Gibbs product lies in the type of girls admitted to the school. They are not necessarily straight-A high school students. Neither are they necessarily from wealthy homes. Although Gibbs was once considered a school for the well-to-do, its \$935 annual tuition fee is within reach of middle-income families. One enrollee this fall is the daughter of a widowed East German refugee who earns \$45 a week; another is the daughter of an Iranian sultan. "This is not a high-hat school; we take the next girl in line," Mr. Gibbs says.

But the "next girl," no matter what her other qualifications, must have



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one specific quality: motivation. This is an oft-heard word around Gibbs. Translated, it simply means that the student wants to be a secretary, wants to succeed, and is apt to stick to her purpose.

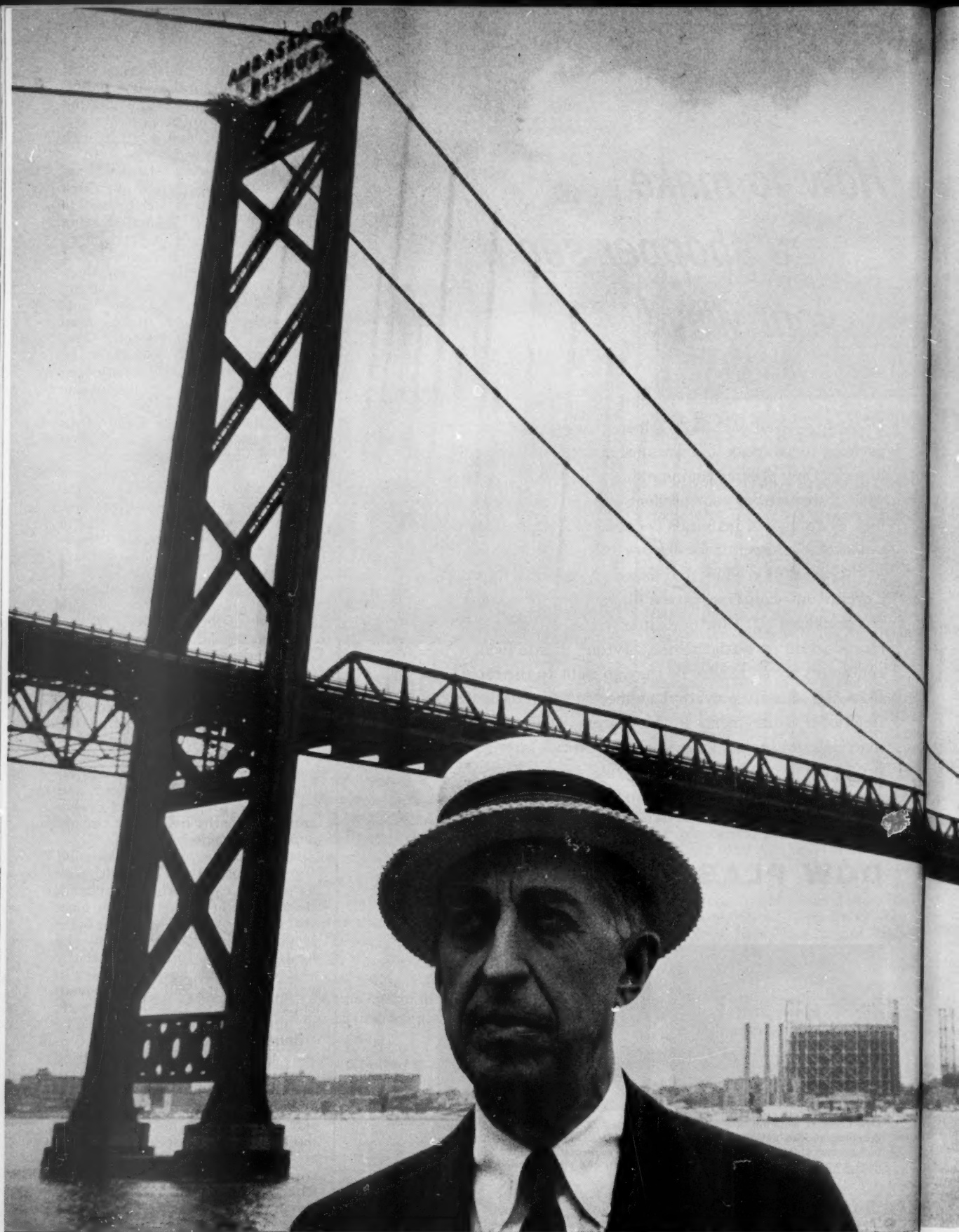
Besides requiring standard entrance tests, Gibbs combs over high school records and references to make sure a girl is not showing downhill tendencies in her effort, even if her grades are good. Also, since many high schools have three course levels, Gibbs prefers a strong C student from the upper, academic level rather than an A student from the lower, vocational levels. Once under way at Gibbs, she has to be on her toes to avoid probation or dismissal. The school admits to "one or two" dismissals every year.

**High standards.** The Katie Gibbs girl is spurred on, too, by association with teachers and staffers who believe that women should be equipped to take care of themselves in the world of business. She is prodded, also, by constant reminders that a high number of Gibbs' 25,000 alumnae hold the cream of the nation's secretarial jobs, and that many of them have gone on to high management posts themselves, or even into businesses of their own.

**Ultimate goal.** Furthermore, the Gibbs student is never permitted to forget that the whole point of this exercise is to get a job. She attends teas at which personnel directors from local companies describe the intricacies of corporate ladder-climbing. Also, she must carry out a "placement project," in which she calls up three personnel directors cold and goes out to practice the art of job hunting—months before she's ready to play the game for keeps.

Actually, this ritual is designed largely to help the Gibbs girl pick her job with care. Certificate in hand, she can be choosy about such niceties as the view from her office window or the type of company she wants to work for. One recently widowed alumna, now going back to work, expects to find a job conveniently located so that she can walk her dog at lunch.

**Remedy.** Business educators contend that the problem of getting good secretarial help would disappear if more schools taught better. According to Louis A. Leslie, an expert in secretarial instruction, "The shortage would cease immediately if a larger percentage of teachers taught as well as the best." Frank P. Donnelly, vice-president of instruction at the Wood School, adds: "Businessmen could shake this shortage down overnight if they got to work on their school boards." **End**



Detroit's Ambassador Bridge presents bridge vendor Robert M. Sherritt with the greatest challenge of his career.



## FINANCE

# He buys and sells bridges

**Robert M. Sherritt makes  
a handsome living  
from his unusual trade**

**New York financier** Robert M. Sherritt (picture) has devoted much of his lifetime to a seemingly off-beat occupation—buying and selling bridges. He makes a lucrative living out of converting bridges (and occasionally a tunnel) from private to public ownership. The only trouble is he is running out of bridges.

At the moment, that's not bothering him. He's too engrossed in his latest and biggest project, a \$40-million deal involving two heavily traveled toll facilities connecting Detroit and Windsor, Ont.—the Ambassador Bridge and the Detroit Windsor tunnel. He has an option to buy them from the private owners and wants to sell them to Michigan for public operation. But when the state legislature stalled on setting up an authority to consider the proposal, Sherritt withdrew his offer.

**New negotiations.** He says he is now negotiating with a governmental agency, which he won't name, for sale of the facilities and expects to make a deal before his option runs out Dec. 1. Without giving any details, he says something might break this month or next.

Aside from making a tidy profit for himself, Sherritt claims a public owner of the Detroit bridge and tunnel would net about \$1.1-million a year in revenues now being paid out in federal taxes by private owners.

**Accidental start.** Sherritt developed his affection for bridges by accident about 25 years ago. At that time he bought and sold utilities and private companies. A bridge was included in some properties he was selling for Parkersburg Rig & Reel Co. in West Virginia. "It took me a year to learn how to sell it—in this case to the State of West Virginia—and to become sold on bridges.

Since then Sherritt has sold 17





ALLAN W. GREENE

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major toll bridges for about \$100-million, including the Covington-Cincinnati Bridge, two Niagara Falls spans, and Miami's Venetian Causeway. His dealings in bridges account for 70% of his business today. (The other 30% comes from arranging mergers and sales of small, privately held companies.)

**How it's done.** Since then Sherritt also has refined the technique of selling bridges.

First, he gets an option on a bridge or tunnel from a private owner. Simultaneously, he interests a state agency in purchasing the facility, and lines up an underwriting group to handle a revenue bond issue. He coordinates the actual sale. He turns the bridge, the physical property, over to the governmental agency. Then he liquidates the remaining shell of the bridge company, assuming responsibility for any debts and liabilities prior to conversion to public ownership.

**Mutual benefits.** These are the advantages he claims for such a transfer:

- The state or local government receives the property without any cost, begins collecting normal profits and money formerly paid in federal taxes. If the revenue bonds turn sour, it's the investors who get burned.

- The former owners receive a very favorable price as an incentive for selling.

- The broker, Sherritt, makes between 5% on a \$1-million sale and 2% on a \$40-million sale.

**Tough job.** Despite these multiple benefits, buying and selling bridges is hard, time-consuming work. The investigations and negotiations for the Detroit bridge and tunnel by Sherritt and his company, Sarjem Corp., for example, have been going on for nearly seven years. Out-of-pocket expenses may run as high as \$800,000.

Sherritt had to persuade two groups of seven families each that they should sell their interest in the bridge and tunnel. To win their support, and that of smaller stockholders, he offered a combined price of \$36.8-million for the two properties. This is about \$10-million higher than the stock is worth at over-the-counter prices.

Sherritt also had to get together a raft of statistics for himself as well as the potential buyer. From a decade of income statistics, he can project bridge revenues for the next 30 or 40 years: On Detroit's bridge and tunnel, which have doubled their traffic in the past 12 years, he predicts a 2½% annual increase in net income. Sherritt figures profit on the combined deal between \$35-million



ALLAN W. GREENE, President, Heath Company, Benton Harbor, Michigan. A subsidiary of Daystrom, Inc.

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and \$74-million, depending on the length of the bond issue.

**Setting the price.** In setting his sale price at \$40-million (which inspired most of the criticism of his plan in the Michigan legislature), Sherritt figured the costs this way:

- \$36.8-million would reimburse Sherritt for the short-term loan he would take out to purchase the stocks and bonds of the two companies.

- There would be a 2% or \$800,000 bond discount to the banking syndicate for expenses and anticipated profit in selling the revenue bonds (if discounted at 98).

- The state bridge authority would keep 1% or \$400,000 for working capital.

- The remaining 5% would go to Sherritt to cover his expenses and profits. Of this, 2% or \$800,000 would be for his expenses, one-half of 1% for a reserve fund to liquidate the bridge company, one-half of 1% for "unexpected liabilities," and 2% for Sherritt's profit.

**Costly snag.** Any unforeseen contingencies would come out of Sherritt's profit. And these have a habit of cropping up despite careful planning. Sale of the McKinley Bridge—spanning the Mississippi River between St. Louis and Venice, Ill.—to the city of Venice is a case in point.

Sherritt had to deal with 11 railway companies that held equal interest in the train-vehicular bridge.

When negotiations finally were concluded, 65 to 70 officials gathered in New York for the closing, scheduled to take place Oct. 21, 1958, at 2 p.m. By that morning, bonds worth \$23-million were on the table, loans were made. Open phone lines were ready to various points in Missouri and Illinois. Everything was set—or so everyone thought. But at 10 a.m. that day a telegram came from the Interstate Commerce Commission halting the sale. The reason: 15 toll takers, all rail employees, would lose their jobs to city workers.

About seven weeks later, with the 15 toll takers reemployed by the railways, the sale was finally consummated. But the tab for financing the duplication cost Sherritt \$150,000.

**Other contingencies.** More commonplace contingencies are back taxes of the private companies. In the Detroit bridge and tunnel deal, outstanding toll tickets and pension obligations will be others.

While troublesome at times, the intricacies of his bridge deals are challenging to Sherritt. But he has just about put a finish to this phase of his business. There are only four major toll bridges (four or five lanes) left to buy, and he's already dickering for all of them. **End**



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## In new products

**BW**

### New desk-sized information retrieval system can handle half-million pages of data

Information for Industry, Inc., Washington, D. C., has ordered production of a new desk-sized information retrieval system [BW Jul.8'61,p46] designed to store and reproduce printed information.

The basic system, indexed manually, is made up of an information scroll for storage of printed material, an optic system for picking up and displaying the desired information, and logic circuitry.

The system can store approximately 500,000 pages of data on a single scroll 17 in. wide and 400 ft. long. The scroll is Kalfax, a photo-sensitive material that is developed by heat [BW Dec.10'60, p106]. It takes the machine 20 seconds to locate an item on the 400-ft. roll. A half capacity roll needs 10-seconds search time.

The basic system may be expanded by adding equipment to feed scrolls automatically, index electronically, and transmit remotely.

Cost of the system will average from \$15,000 to \$25,000 for smaller installations to as much as \$300,000 for highly complex setups.

IFI Pres. Paul W. Larsen says a production contract for \$590,000 has been awarded to Litton Systems, Inc., and initial models should be available in April, 1962.

### Diode tester is first product of new company specializing in test equipment for semiconductor industry

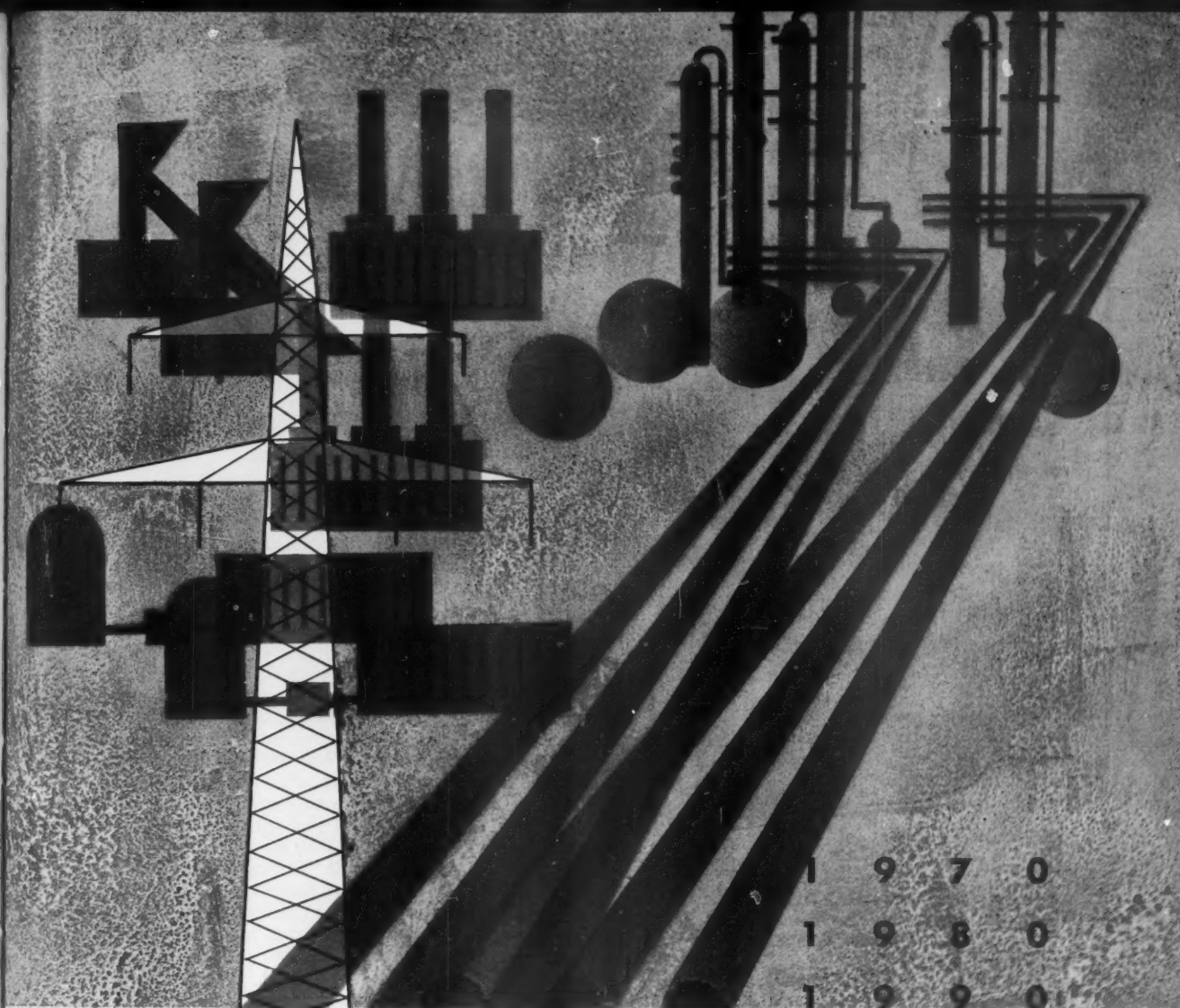
The first of a new line of automatic testing devices for semiconductor products—diodes and transistors—is being produced at Teradyne, Inc., a new Boston electronics company. The equipment was designed by Teradyne Pres. Nick DeWolf, ex-chief engineer of Transitron Electronic Corp. DeWolf struck out on his own with Teradyne, he says, because his own experience indicated a good market for more reliable commercial test equipment. In semiconductor production, testing is often the most expensive operation.

Teradyne's first product, a diode tester, is itself a solid-state electronic device without switches and relays and with a minimum of wearing parts. Though it is scarcely larger than a typewriter, it has sophisticated circuitry that can detect spurious signals or errors. In addition, it is self-setting—unlike most testing equipment, it does not need daily calibration. The tester can be used on hand-sorting benches, or hooked up to automatic data recorders and sorting equipment. Price range, depending on accessories, is \$2,000 to \$7,000.

### New products briefs

A new addition to the growing variety of prefabricated interior wall panels is being produced by the National Gypsum Co., Buffalo, N. Y. The wall panel is made from spiral hardwood shavings sandwiched between two 3/8-in.-thick gypsum wallboard sheets. The standard 4-ft.-by-8-ft. panels are 2 3/8 in. thick. National Gypsum hasn't set a final price, but it will probably be around 20¢ per sq. ft.

Ferranti, Ltd., the British computer manufacturer, has decided to market a computer comparable in size and speed to the largest made in the U.S. The company has been operating a pilot model for a year, and a second one is on order by Britain's Atomic Energy Authority. Called the Atlas, the new computer can execute more than a million operations per second. Depending upon its associated equipment, cost is expected to run from \$6-million to \$10-million.



## STEEL 2000

By the year 2000, the world population will probably have grown from 2.8 billion to more than 6 billion\*). Huge energy reserves will have to be exploited to generate many times as much light, heat and power as is produced today.

From pipelines to engines and industrial furnaces, from mining props to power plants, from nuclear reactors to high voltage poles, steel determines the modern technique of energy production and supply.

On the road to the year 2000, the energy producing industry, like all other important fields of civilization, will have an immensely growing requirement of steel.

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\*) According to population statistics compiled by the United Nations in 1958



# Ailing Renault maps comeback strategy

France's government-owned auto maker posted a huge drop in profits last year as a result of overproduction and lagging U. S. sales. Now it plans to regain its former strength



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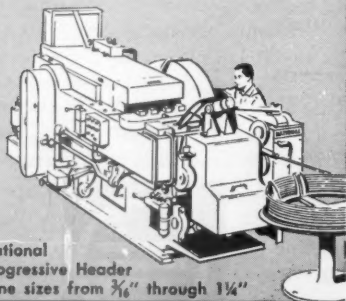
**Finishing operations** — few; some parts ready to use.

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"Le car hot." That's what Renault, France's government-owned leading auto maker, likes to call its staple model, the Dauphine. But last year, le car hot cooled off and Renault went into a near disastrous skid that it's still trying to steer out of.

Expecting a fat sales volume in the U.S., Renault produced at top speed for most of the year. Then, stymied by a drop in export sales—especially to the U.S.—and more intense competition for the crowded French market (picture) Dauphine sales fell drastically. The result: overproduction that left the French company only a sliver of profit, \$580,000 on sales of \$680-million—a sharp drop from the \$7.1-million profit posted in 1959.

This year Renault is struggling back to its feet. The company hopes that production more closely geared to demand, price cuts, and new models will turn the trick.

**Clouds in Europe.** Renault's troubles are not unique in Western Europe. Other auto makers are beleaguered, too: Overproduction plagues the industry. Britain's auto makers have felt the sting for about a year now [BW Apr. 1'61, p30]. So have some of the West Germans: Borgward was forced to close shop early this year. Of the major West European producers, only Volkswagen continues to enjoy a really healthy demand—a demand that is still increasing.

The industry's rough times are just beginning. Competition will become more intense when Britain finally joins the European Economic Community (EEC). Moreover, with present investment plans, say French officials, Europe's auto makers will have an annual production capacity of 9.3-million units by 1965. This is about 1.5-million more than the most optimistic market forecast calls for.

Most experts agree that the long-awaited shakedown in the West European auto industry has started.

In the next few years, they predict, almost half the producers in West Europe may either merge with bigger companies or be swallowed by competition. So Renault's proposed solution to its problems is under close scrutiny. If it works, it may set a pattern.

Being government-owned, Renault isn't worried about folding. But it wants to recapture as much of the world market as it can, with as little government help as possible.

**Rise and fall.** Renault's troubles came after five sensational years of growth during which annual production shot up from 220,000 in 1955 to 543,000 cars, trucks, and buses in 1960. During that time, the company moved into the fast-expanding world market so successfully that by last year it was exporting 55% of its production.

The peak year for this expansion came in 1959 when it turned in a profit of \$7.1-million. Renault sold 96,000 cars in the U.S. alone, almost 25% of the 465,000 Dauphines produced that year.

A year later, this success nearly spelled Renault's doom. Confidently expecting a further 25% increase in Dauphine sales to the U.S. market in 1960, the company pegged its production on that premise.

But Detroit had other ideas. The U.S. auto industry, which for years had seen its market flooded with low-priced, small foreign cars, finally woke up and came out with the compact car. They turned Renault's boom to gloom.

Instead of rising 25%, Dauphine sales plummeted some 33,000 units [BW Oct. 15'60, p134].

**Hot competition.** When U.S. sales tumbled, Renault scrambled for other markets but ran into rough competition, especially in Britain and West Germany. Auto makers in those countries, equally stung by Detroit's compact, turned to their home markets to recoup U.S. losses. In Britain,



As autos jockey for position on the Champs Élysées, their makers face hot competition in a crowded European market

for example, Renault sold 25,000 cars during the first half of 1960, then saw sales fall to 1,000 units per month in the second half.

Even in the French domestic market, Renault ran into trouble. France's other major manufacturers—Citroën, Simca, and Peugeot, which together with Renault supplied 90% of France's 761,000 newly registered vehicles last year—concentrated on selling at home. Imports into France, 30,000 last year, further nibbled into the market. Meanwhile, Renault kept turning out Dauphines at top speed.

**The brakes.** Renault management applied the brakes too late. Last September, the company cut its work week for half its employees from 48 to 45 hours and reduced daily output from 2,000 to 1,600. At yearend, it lopped 3,000 off its payroll.

In the second half, Renault managed to improve its sales in non-producing countries like Switzerland and Belgium, and in Latin America. Though this helped keep total sales slightly above the 1959 level, they were still far below the production pace. Production went up 10% over 1959—sales went up only 3%.

This left Renault with tremendous overstocks of Dauphines. So many that even with worldwide sales picking up in the second half and curtailed production, the company wasn't able to liquidate its overstock

of cars until the end of July this year.

By the end of 1960, Renault had taken a tremendous beating. Management started to map out strategy to get the company back into high speed again.

**Recovery program.** Most important element in this strategy is a major switch in production policy to tie output more closely to market demand. Says one Renault official: "We'll stock modestly during the off season, but only enough to handle the warm weather sales peak."

Earlier this year, Renault introduced a new model. Called the Gordini, it is a higher-powered version of the Dauphine with a four-speed gear box. Another model, a front-drive auto, smaller and cheaper than the Dauphine, will bow this fall.

To improve its position in the U.S. market, Renault cut the price of the Dauphine by \$200.

So far, these policy changes have had little effect. Sales this year are running only slightly ahead of last year. Production at midyear was 209,300 units—109,000 less than 1960, a 33% bounce downward.

**U.S. and France.** In the U.S. market, Renault sales continued to slide. They turned up slightly in June and July, but nowhere near the pace of the 1959 boom.

At home, Renault still leads with 30% of the market. Registrations for the first half in France hit 469,000, a

gain of nearly 12% over 1960. But most of the gain went to the competition; the West Germans and Italians tripled their sales in France.

Renault top brass is breathing a bit more easily now that the overstock of Dauphines has been sold off. But even with 1961 sales up somewhat, especially in Latin America, the company can't look for much improvement in profit. The high cost of getting long-stocked cars ready for delivery has sliced into its margin. On top of that, Renault must pick up a substantial tab for new models and price cuts—major elements in its recovery strategy.

**Alliances.** Meanwhile, Renault is keeping an eye on the developing storm in the West European auto industry. It will contract sales-strengthening marriages whenever it sees a likely partner. Its tieup with Italy's Alfa-Romeo has paid off to the extent that sales of Dauphines assembled in Italy, plus Renault exports there, are second only to those of Fiat. In West Germany, Renault's truck-producing division, Saviem, teamed up this spring with Henschel-Werke GmbH in a 25-year agreement calling for close cooperation in design, sales, and service.

Renault also recently made a successful bid to stake out a new market in India. A government-owned Indian auto plant will assemble Dauphines for sale in that country. **End**

# In business abroad

**BW**

## West Europe's boom losing bounce; incoming orders continue to fall off

For some time, there have been signs that West Europe's economic boom may be leveling off.

Further proof comes this week from West Germany. Production, sales, and exports of electrical goods—both consumer and industrial—continued high during the first half of this year. But incoming orders since then have slowed down.

Sales totaled about \$2.7-billion during the first half, up 16% from the corresponding period last year. At the same time, production rose 19.8%. Capital goods increased at a faster rate than did consumer items—22% to 15.7%. However, most of this increase was accounted for in the first quarter, followed by a sharp drop in the second quarter.

Incoming orders, though, are losing some of their bounce. They increased by only 5.2% during the first half, compared to a 29.4% last year. Total incoming orders are still above production levels, but the gap is definitely narrowing.

Some of this dropoff is due to the Deutschemerk revaluation early this year. Still, West German manufacturers are keeping a close eye on the situation.

## British-based equipment leasing company set up with U. S. participation

After dramatic success on the U. S. market, industrial leasing moved overseas this week.

Three British financial institutions are joining with Lease Plan International Corp. of New York to form a new company specializing in the large-scale leasing of capital equipment and vehicles to British industry.

British interests in the new company, which is called Equipment Leasing Co. (Elco), are Hambros Bank, Phoenix Assurance Co., Ltd., and Cable & Wireless (Holding), Ltd. These companies will own at least 50% of Elco, and the U. S. company will own 25% or less. Remaining shares will be sold on the market.

Elco will have authorized capital totaling \$1.4-million. Initially, this will be used to finance leasing, under pay-as-you-use arrangements, but services may be expanded later if demand lives up to expectations.

## Heavy shipments of bar silver move from Red China to Western Europe

Communist China is shipping bar silver on a large scale to Western Europe.

According to London market estimates, some 30-million oz. arrived in Europe in the first seven months of 1960, against about 20-million for the whole of last year. Moreover, August shipments are exceptionally large. Silver currently sells at 93.21¢ an oz. in London.

It is believed the silver is being sold to pay for the big grain purchases Peking made earlier this year in Canada and Australia [BW May 6'61, p89]. London dealers also think that some of the gold sold this year by Moscow may have been for Chinese accounts.

London experts say that the large silver shipments may slow the exhaustion of the U. S. Treasury stocks, now down to less than 70-million oz. New York sources say they don't see how this is possible. The U. S. Treasury only sells to domestic buyers and Chinese silver isn't coming into the U. S. market. Yet the Chinese addition to world supply frees stocks available to industrial users in the U. S.

There's agreement, however, that even with Peking's sizable sales, the world price will remain stable.

## Indonesia demands 60% of profits made by three foreign oil companies

The old 50-50 formula for splitting profits between oil companies and their host governments is getting more obsolete year by year.

This week Indonesia cut off negotiations with the Big Three oil companies operating in the country—Caltex Pacific Petroleum Maatschappij, Standard-Vacuum Oil Co., and the Royal Dutch-Shell group—and decreed it would take 60% of oil profits. Together, these companies account for almost all of Indonesia's 400,000 bbl. a day output.

Italy's maverick oil czar, Enrico Mattei, first broke the 50-50 formula in order to win oil-drilling rights in the Middle East for a subsidiary of ENI, the state-run oil company. Then, Venezuela put the squeeze on oil profits, taking between 60% and 65%. Now Iraq is angling for a new deal with the Western companies that control Iraq Petroleum Co.

## British auto makers hedge on production as austerity program stymies sales

Britain's auto industry appears to be in for another siege of rough weather—just when it has been pulling successfully out of last year's slump.

For the first time this year, weekly average production of passenger cars during July was above the figure for the same month last year—a weekly average of 24,584 units compared to 23,513 in July, 1960.

But sales, primarily dependent on the home market, have been affected by Chancellor of the Exchequer Selwyn Lloyd's new austerity program.

Exports during July totaled only 31,497 units, compared to 44,817 last year. Even the home market, which has been bolstering auto sales against the drop in export sales, is starting to hurt because of the 10% increase in the purchase tax. Already one manufacturer reportedly is contemplating a production cutback, and others may follow.



# International outlook BW

September 2, 1961

## Khrushchev gets tougher, resumes nuclear tests

As Pres. Kennedy moved this week to open the way to East-West negotiations on Berlin, Premier Khrushchev demonstrated just how tough a mood he's in. Khrushchev calmly let the Russian people know that he had decided to resume the testing of nuclear weapons.

Washington got the first word of this by intercepting a Tass broadcast from Moscow to Soviet Central Asia. On Wednesday, the State Dept. quoted this broadcast as referring to "the decision adopted by the Soviet government on carrying out experimental explosions of nuclear arms." Then came the Kremlin announcement, which shocked the world, and raised the tension over Berlin.

Khrushchev's decision came while the U.S. was making a last effort at Geneva to break Soviet resistance to a test-ban agreement.

Arthur H. Dean, chief U.S. negotiator, had no real hope of getting anywhere when he returned last week to Geneva. But the U.S. plan was to recess the talks again, rather than abandon them.

By Wednesday night, though, it was clear that our efforts to reach a test-ban agreement were over—and the nuclear arms race would be on again full tilt.

## A blow at Alliance for Progress

Kennedy's Alliance for Progress has just suffered two blows. One has come from the treatment the Administration's foreign aid bill is getting in Congress (page 21), the other from the Brazilian crisis (page 22).

Make no mistake about it, Congress is tying the hands of the Administration officials who planned the new Latin American aid program. With the long-term borrowing authority cut out of foreign aid, these officials will have to go easy on big spending for social reform in Latin America. And some of them will be putting more weight on the role that private investment can play in economic development.

The struggle between right and left in Brazil, whatever its outcome, is bound to leave political scars. Add to this the fact that leftist pressures are clearly gaining strength there, and you can see that steady economic growth will be hard to achieve. Remember, too, that Brazil was to be the main testing ground for the Alliance for Progress.

## Italy plays maverick role on Berlin

For the first time since World War II, Italy isn't following the U.S. lead in its foreign policy. In the present Berlin crisis, Italy's Premier Fanfani has shown a tendency to go it alone—and probably will continue to do so.

The Italian Premier has been pushing hard for an immediate negotiated settlement. The U.S., of course, maintains that willingness to negotiate too quickly would be a sign of weakness. Fanfani disagrees.

His reasons look good—at first glance. On a trip to Moscow early last month, even before the East Germans sealed the East Berlin-West Berlin border, Khrushchev discussed the coming storm. Khrushchev told Fanfani that immediate negotiations would head off trouble. He repeated the message this week.

Both times, Fanfani has passed on Khrushchev's word to the Allies, and suggested that Italy act as mediator. But he has gotten no response.

## International outlook Continued

### Is Soviet trade the reason?

To some Western observers, Fanfani's explanations are a smoke screen, and cover up the real reasons that are deeply rooted in Italian politics.

The prime purpose for Fanfani's trip to Moscow was to establish closer commercial and cultural relations. Italian industrialists want more trade with Russia. Representatives from Montecatini, Italy's giant chemical company, accompanied Fanfani on his trip.

Fanfani is unhappy over Western proposals to use economic sanctions in dealing with the Berlin crisis. These have included the possibility of either a complete trade embargo against Moscow or a refusal to accept exports of Russian oil.

Such an embargo would hurt Fanfani politically. Italian industry, for one, would complain bitterly. And Italy now is a big buyer of Soviet oil.

### Showdown in British unions

A fight to reduce Communist influence in British labor unions will come to a head next week when the Trade Union Congress, British equivalent of the AFL-CIO, holds its annual meeting in Portsmouth. TUC's central committee will recommend the expulsion of the Communist-led Electrical Trades Union.

ETU's Communist boss recently was found guilty of rigging the union election that kept him and his Communist assistants in power. After this, TUC's executive requested the union to bar five leading Communists from holding union office for the next five years and to allow a non-Communist General Secretary to exercise full powers.

The request, seen as an ultimatum, was rejected and the TUC now wants the union to be expelled from the fold.

This will be round one in what promises to be a continuing fight.

### Algerians put new heat on de Gaulle

Pres. de Gaulle is in a gloomy mood these days. Time for a peaceful solution of the Algerian question is running out fast—and he knows it.

In a major shakeup, the Algerian nationalists (FLN) this week eased out Premier Ferhat Abbas, rated as most moderate of FLN officials. Named as new Premier is 41-year-old Ben Khedda, a tough-minded Marxist with close ties in Belgrade and Peking.

Khedda's first official act was to call on the "Socialist countries of Africa, Asia, and Latin America" for aid in the fight for Algerian independence. Next, he said that FLN is ready for another round of peace talks with France, but that this time FLN will be more demanding in its proposals.

### Will partition be the solution?

De Gaulle has to move fast—before the Soviet bloc reacts to Khedda's call for help. Communist intervention could throw the Algerian problem into a more general cold war context. And that would further weaken de Gaulle's already dwindling prestige.

At midweek, de Gaulle reportedly had made up his mind to partition Algeria. He was wrangling with French Premier Debre on how tough France should be in negotiating a partition.

Focal point of any partition, of course, is the oil-rich Sahara. France is adamant on wanting to hold on to its rights there. But FLN isn't likely to accept any settlement that would take the Sahara away.

If de Gaulle pushes too hard, the FLN may step up guerrilla activity and cause more bloodshed.

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# How the big deal was made

**Empire State Building sale utilized all of real estate trade's newest tricks**



New Yorker Lawrence A. Wien engineered complex sale of Empire State Building

In textbooks on real estate operations, the three-cornered sale and leaseback of the Empire State Building [BW Aug. 26 '61, p. 36] will go down as a classic.

In size alone, the \$65-million purchase price Lawrence A. Wien, New York attorney and real estate wheeler-dealer (picture), laid out to Chicago's Col. Henry Crown is the most ever paid for a building. This may seem reasonable for the world's tallest, and most celebrated, structure, but the truth is that the 102-story building has been on the auction block for years. Wien says he negotiated for seven years before he closed with Crown last week—and then resold the building to Prudential Insurance Co. of America, which leased it back to Wien.

**Intricate deal.** But, size aside, the deal contained all the techniques that have stimulated and sustained the postwar boom in office buildings—leverage, sale-leaseback, public syndication, and now the real estate investment trust. Indeed, without syndication the deal probably wouldn't have been made—the funds simply wouldn't have been available.

The use of syndication, moreover, is dramatic illustration that the real estate boom, once the playground for a select group of wealthy investors, has sifted down to the public. In effect, the Empire State transaction is a giant securities issue, with the public getting a chance to invest in a big, but not necessarily growing, enterprise.

## I. How it works

Stripped apart, the sale-leaseback to the Prudential, which becomes owner of the building, works this way:

Empire State Building Associates, a group formed by Wien, will pay Col. Crown and his son, Robert, \$65-million for the building. Crown was part of the Stevens-Glancy combine that bought the building from the estate of John J. Raskob for \$34-million in 1951. At the same time, the Pru bought the land underneath it for \$17-million.

ESB Associates will raise the \$65-million—and \$3-million besides for expenses—in several ways. First, it plans to raise at least \$26-million through the sale of general partnership participating units—at \$10,000 per unit.

Second, it has a commitment for a \$13-million mortgage on the leasehold it will obtain from the Pru. This mortgage will come from Real Estate Investing Assn., Inc., a new real estate investment trust that is 56% owned by Wien and Harry B. Helmsley of Helmsley-Spear, Inc., a New York real estate broker who handled the Wien transaction. (Under the new law, any qualifying real estate company that distributes 90% of its income to shareholders can classify as a trust and need not pay any corporate income taxes.) Real Estate Investing Assn. plans to issue publicly its 6% notes to obtain funds for the mortgage, will get a slightly higher return from ESB Associates on its mortgage.

Third, Pru will pay Wien \$29-million for the building. It will then lease it back to ESB Associates for a 114-year term—an initial 30-year period, followed by four successive 21-year renewal periods. ESB Associates will pay Pru an annual rent of \$3,220,000 for the first 30 years; after that, rental charges taper off to \$1,610,000 a year.

Like all good deals, the Empire

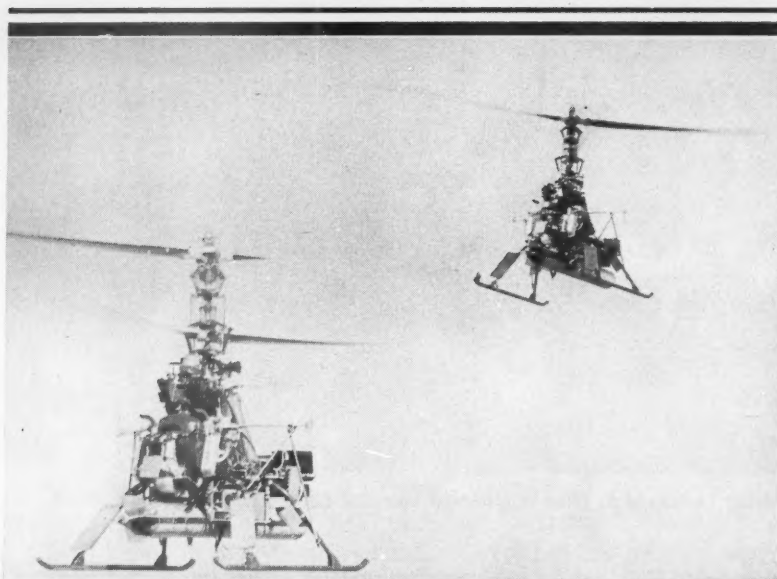
State deal gives everybody involved a chance to pat himself on the back:

- The Pru becomes owner of the world's tallest building (although its 2-million sq ft. of office space is topped by the RCA building). The Pru could not buy the building directly from Crown because his \$65-million asking price was more than the Pru, or any insurance company, could invest legally in New York in any one property. The limit is roughly one-fourth of 1% of assets, which, in Pru's case, is a bit under \$50-million. This way, the Pru gets both the building and the land for \$46-million, and it now gets \$3.2-million a year in rent compared to the \$1,020,000 that it received from the Crown interests.

John G. Jewett, Pru vice-president, points out that this works out to a 7% return for the Pru on its investment—taken over 30 years. This comes out to a 5¾% interest rate. And if it amortizes the building over the first 30-year period, all the rental will then be income.

- Crown also gets a healthy profit, although it's hard to figure. Crown originally had less than a 25% interest in the building, but he gradually bought out all his partners. He says his cash investment was only \$6-million or so, which could mean, taking surface statistics, that he grossed close to \$30-million. But outsiders doubt this was his net. They point out that the Stevens-Glancy group had an equity of about \$13.5-million in the 1951 purchase and that Crown paid them off at a handsome profit. Crown also took little profit out of the building, and reportedly put in about \$15-million in capital improvements. All told, says one observer, Crown probably





## WHERE IS THE PILOT?

He has been replaced by a flight controller located at the drone control station of a navy destroyer. He is flying the Gyrodyne DSN Helicopter, armed with a homing torpedo, by remote control. The controller has the capability to direct the DSN over the target area, release the weapon, and command it to return and land on the flight deck of the destroyer.

The Gyrodyne DSN helicopter, being unmanned, can fly in foul weather and complete its mission without risk to a pilot's life.

The DSN helicopter is the first remotely controlled helicopter and is considered to be the most versatile remotely controlled flying machine.

The Gyrodyne Company is responsible for development and production of the DSN helicopter including its electronic equipment, and the electronic equipment required aboard the destroyer to control the DSN helicopter.

The work involved in accomplishing such a task is continually creating career opportunities for qualified personnel at various levels in the following fields.

The DSN helicopter is the advanced engineering version of the piloted ROTORCYCLE shown below the vehicle which on June 1, 1961 won the Grand Prix for its maneuverability in the helicopter competition at the International Air Show.



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COMPANY OF AMERICA, INC.  
AN EQUAL OPPORTUNITY EMPLOYER

## Wien intends to sink more funds into the building to improve it . . .

Story on page 69

netted no more than a few million dollars.

Wien and his associates also can look forward to handsome returns. Two groups actually have been formed here—ESB Associates, which has the Pru lease, and Empire State Building Co., which will operate the building on a sublease.

**The risk.** ESB Co. is made up of four interests: Wien; Harry Helmsley; Cargo Despatch, Inc., a subsidiary of American-Hawaiian Steamship Co. whose principal stockholder is D. K. Ludwig, the tanker operator [BW Mar. 16 '57, p. 105]; and Martin Weiner, an old friend of Wien's, who is retired from the textile business. From this group and their friends came the \$4-million deposit that Crown has received for the building; Wien himself put in \$500,000. If the deal falls through, the group will lose the deposit—that's the risk. If it goes through, the money will be refunded after ESB Associates' offering.

**Profit outlook.** ESB Co. doesn't anticipate any near-term profits. Wien is a long-term investor, and he intends to sink more funds into the building to improve it. But as the net income of the building improves, ESB Co. will share in the profits.

Currently, the building has gross income of about \$14-million—including \$10.5-million in rentals, \$2-million from the observatory towers, and \$772,000 from antenna license fees and other income. In 1960, its net income—before ground rent to the Pru—was \$6-million.

Under Wien's setup—with a higher ground rent—there will be about \$2.34-million available for a cash distribution to ESB Associates' participants, which means they'll be getting about a 9% return on their investment. If expenses go up and income doesn't keep pace, the 9% return might be in jeopardy. But Wien points out the building's average rental rate per sq. ft. has climbed steadily in recent years. In 1956, it was \$5.40; by July, 1961, it was \$6.69.

Wien's group also will benefit from the fact that many leases will expire between 1962 and 1966. In 1962 alone, leases accounting for 23.5% of the gross annual rental will run out.

Wien's law firm, Wien, Lane & Klein, also will share in the pie. It

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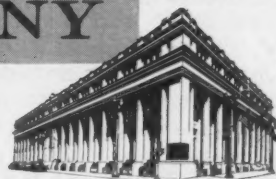
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*Sealed bids for the purchase of the property will be received at Room 101, Federal Office Building, 909 First Avenue, Seattle 4, Washington, until 11:00 a.m., PST, November 1, 1961, then publicly opened and read. Bids must be submitted on forms provided by GSA. Bid forms, instructions to bidders, and Terms and Conditions of Sale are available from the above address or from:*

## GENERAL SERVICES ADMINISTRATION

Region No. 10 • Administration Bldg. • Auburn, Washington

General information on GSA policy, procedures and bidding requirements with respect to this sale or sales of other Government property may be obtained by calling or writing the GSA regional office nearest to you in Boston, New York, Washington D.C., Atlanta, Dallas, Kansas City, Chicago, Denver, San Francisco, or Auburn.

**After an inauspicious start,  
cynics dubbed it  
'Empty State Building' . . .**

Story on page 69

is getting a \$1.1-million fee from ESB Associates for arranging the transaction, and also will receive \$100,000 a year as counsel. The firm also will get fees from ESB Co. Helmsley-Spear receives a \$500,000 commission for the deal, and will receive management fees and leasing commissions from ESB Co., the operating company.

### II. A new image?

If Wien has his way, the Empire State Building will be transformed into a prestige building. It will be a hard task, despite the fact that the Fifth Avenue building is known around the world.

**Poor start.** Empire State got off to a highly inauspicious start in 1931, in the heart of the depression. Unlike the Rockefellers, who were championing Rockefeller Center, its original owners did not have the economic power to woo corporate tenants. One-third of its space was vacant in the early Thirties, and even during the war years some of its floors were in a raw or semi-finished state. Cynics dubbed it the "Empty State Building" and said it would be filled only if it were towed out to sea.

It did fill up, though, when demand for office space boomed after the war. Since 1951, its annual occupancy rate has never averaged below 97.7%. Today it is 98.1% rented. However, it is in a fringe area—just outside the bustle of midtown—and has attracted few Triple A tenants. It is generally considered a "showroom" building for the textile industry.

**Planned improvements.** Wien hopes to change its image as a second-ranking building by opening a luxury restaurant somewhere near its top, air-conditioning more of the floors, automating more of the elevators, and modernizing the lobby. Those who know him say he certainly will do all of these things—if not more.

To support this, they cite two of Wien's characteristics. He is known for his generosity in philanthropic circles—for example, he set up scholarships for Brandeis and Columbia Universities. And inside and outside the real estate business, he is known for his love for New York as a city. **End**

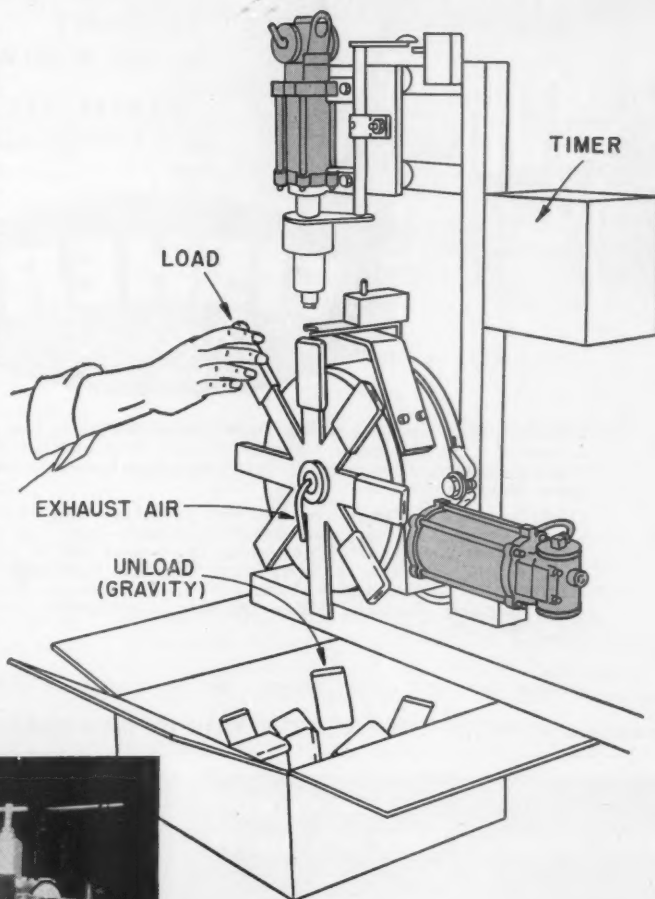


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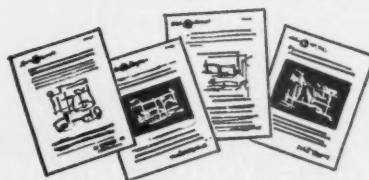
It's another example how versatile Bellows "Controlled-Air-Power" Devices can be used to "spot-automate" operations in almost any industry. This "SPOT-A-MATION IDEA" is based on a setup used by Frank Steere Enterprises to cut a slot in a plastic key case. But the basic idea can be adapted to perform a host of operations in wood, leather, light metals, or plastics.

It's a simple, inexpensive device. A Bellows Rotary Feed Table, mounted vertically, feeds the part to the tool attached to the piston rod of the Bellows Air Motor. The two are electrically interlocked. Bellows Rotary Feed Tables can be provided to index almost any number of positions. The unit can be equipped with a "timed dwell"; additional work stations can be set up to perform other operations on the same part; automatic feeding or ejecting devices could be installed.

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*In this application a heated Slotting Tool is used, hence the Bellows BT-1 Timer to control the length of time the tool is in contact with the plastic part. The exhaust air from the Rotary Feed Table is used to give an assist in unloading the part.*

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## Wall St. talks...

about SEC investigation,  
business services,  
airlines, electronic aids

Brokers are speculating over who will head the Securities & Exchange Commission investigation of the markets, which is expected to get under way as soon as Congress appropriates \$750,000 for the study. SEC is keeping mum over its choice. But the job, which will pay up to \$18,500 a year, will probably go to a legal man with some knowledge of financial practices. The appointee will have a special staff of 65.

Business service companies are being eyed by institutional investors. Putnam Growth Fund, for example, has invested in four companies (Dun & Bradstreet, A. C. Nielsen, Manpower, Inc., and E. F. McDonald). This interest is leading some underwriters to discuss the merits of going public with some private firms in the market survey field and other areas of business service.

Although some analysts have been recommending airline stocks as being a group with improved earnings prospects, their performance to date has been poor, with the 11 domestic trunk lines registering a loss of \$13.5-million during the first half. One industry expert doubts that they will show much improvement, pointing out that air travel is not increasing as fast as had been expected. Moreover, more and more corporations are making their employees travel air coach rather than first class, intensifying the squeeze on profit margins.

Wall Street's use of electronic gadgets to improve its communications is accelerating. A new desk-sized quotation system, which will give brokers complete data on over 2,500 individual issues, is being introduced by Ultronic Systems Corp., to compete with Scantlin's Quotron and Teleregister's quotation machine. And International Business Machines has developed computing equipment that will provide the Associated Press with faster quotation service, allowing it to transmit complete stock tables within 15 seconds after the close of the market to its newspaper subscribers.

## Market takes breather before holiday weekend as investors show growing selectivity

Investors were increasingly selective this week. There was considerable profit-taking in issues that had sparked the summer rally—aircrafts, communications, oils—and fresh demand for some of the glamorous growth issues whose prospects appear brighter—Thiokol, Xerox, Brunswick. Trading subsided as it normally does before a holiday weekend.

Even so, most of the stock averages were close to the record highs reached earlier in the month, and there's no expectation of a sharp decline. But whether investor demand will generate a fresh rise in prices after Labor Day is difficult to tell. An auto strike could act as a depressant, despite the axiom against selling on strike news. And a worsening of the international situation could hurt the market, for Washington might then move to restrain the increase in business activity.

But if a strike is averted and the international picture gets no darker, investors should be in a buying mood, at least on a selective basis. Generally, the business outlook is bright, with higher sales and earnings in the offing for most corporations. True, much of the rise in profits has already been discounted. But brokers feel that, if the investment climate improves, there will be additional demand for equities.

However, even if the market does reach new high ground, frequent setbacks are likely. The new bull market is already 10 months old. Though it may continue well into 1962, it will probably begin to show its age by moving up more slowly.

## SEC report on stock options notes speculation in puts and calls

Brokerage houses specializing in the sale of stock options were jolted this week. For years, they have been championing puts and calls (options to sell or buy, respectively, a specified number of shares at a fixed price over a set period of time) as a defensive measure—for protecting profits, cutting down on the tax bite, or guarding against losses.

This theory was shattered this week by a comprehensive report on stock options issued by the Securities & Exchange Commission. The report declared that the majority of option buyers are currently small investors who are using options as a way of speculating on a shoestring.

Whenever speculative interest in the stock market grows, the SEC noted, options become increasingly popular. Last year, when speculation was rife, option volume—expressed in the number of shares covered by the options written—was 8.5-million shares, the highest since 1937. The SEC is frankly worried by this trend, and its report may become the basis for new regulations on the put and call market. At present, the SEC doesn't regulate option business, although it has the authority.

The SEC report centers chiefly on option activity in June, 1959, but it also surveys a longer period. And it points out that, contrary to popular belief, the bulk of options sold to speculators are written by wealthy individuals with large security portfolios, not by institutional investors, put and call dealers, or brokerages. The writers act with the expectation that the options will not be exercised, and, in practice, only 40% of put and call options are exercised—which means that the shoe-string speculators are often burned.

Put and call dealers question whether any regulations are necessary. According to Herbert Filer of Filer, Schmidt & Co., considered dean of the put and call business, the SEC interprets options too narrowly. Filer insists that options are valuable as insurance.

## Financial General Corp. climbs to new high in wake of offer to buy Virginia banks

Financial General Corp.'s bid to buy two more banks in Virginia carried the company's stock to a new high this week—18½, double its low for 1961—and is bringing it renewed attention from security analysts.

Financial General is a diversified holding company that includes in its stable 15 affiliated banks (total resources over \$660-million), five insurance companies (total life insurance in force: \$893-million), and a substantial stock interest in a company—Atlas General Industries, Inc.—with both cash to make acquisitions and a tax-loss carry-forward to offset profits.

For the first six months of 1961, net income amounted to 65¢ per share—exclusive of a nonrecurring capital gain of 35¢—compared to 46¢ for the same period a year ago. FGC's net asset value per share was \$16.66 as of June 30, up from \$14.78 at the close of 1960. At the present rate, it hopes to show about \$1.30 a share in earnings for the year, compared to \$1.06 in 1960. A company spokesman points out that the last half looks more favorable for bank earnings—which make up roughly two-thirds of the company's profits.

FGC, moreover, has placed \$15-million in long-term notes with a group of institutional investors. This step enables it to convert \$10-million of its short-term loans to a long-term basis, and provides an additional \$5-million in capital for expansion.

It's difficult to tell how much dilution would be involved if it is successful in purchasing the two Virginia banks. It has offered to buy Clarendon Trust Co. in Arlington (assets: \$23.8-million, deposits: \$22.2-million) and Shenandoah Valley National Bank in Winchester (assets: \$13.7-million, deposits: \$12.2-million). FGC is offering \$140 a share for the Shenandoah stock—on condition that it will be offered a minimum of 8,000 shares of the 16,125 outstanding (it says it will not buy more than 12,000). Last sales of the stock were in the \$100-\$105 range, which is below its book value. But dealers say Shenandoah stock is thinly traded, and that FGC's offer hasn't stirred up much activity in the market.



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# New magazines seek paydirt in culture

**Hartford's 'Show' and Hefner's 'Show Business Illustrated' cover the same general field; but there's little similarity in editorial, advertising, or circulation concepts**

A new magazine, like a Broadway show, is at best a risky venture. This is especially true in an era of high-production and circulation costs, rock-and-knock competition for advertising dollars, and an audience deluged with claims for its attention. Even well-established institutions such as the Saturday Evening Post are fighting for their place in the market [BW May27'61,p76].

For two new magazines that are hitting the street this month, the risk would seem even greater on the surface. Both are covering the same general field—one calls it the performing arts; the other calls it entertainment.

Out of Chicago's Playboy stable comes Show Business Illustrated, whose first biweekly issue is a brassy jumble of news, features, controversy, and pictures of showgirls.

New York's entry is Show (the Magazine of the Performing Arts), bankrolled by A&P heir Huntington Hartford II, the ex-playboy who has turned his hand to culture and to such diverse projects as an automatic parking garage and a private development off Nassau called Paradise Island. His magazine is a high-toned, brilliantly printed monthly costing \$1 a copy (SBI costs 50¢).

**\$1-million projects.** Neither Show Business Illustrated nor Show is in any way a minor project. Each claims an investment of \$1-million or more before the first issue appeared. Both will cover the theater, Hollywood, television, and music.

Beyond that, there is little similarity between the two.

Both Show and SBI agree that, with the postwar growth of communications, the public more than ever before is prepared to support a magazine of entertainment and the arts.

Like some other magazines—the new Atlas, a digest of foreign articles, or International Science & Technology as well as successful,

established magazines such as Scientific American or Saturday Review—both SBI and Show are betting on a profitable special-audience venture.

Hugh M. Hefner, the young man who startled the publishing world with the success of his Playboy—a girlie book that picked up circulation quickly, then shifted to a more sophisticated, less risqué pitch—sees a market for SBI, larger than Playboy's 1.2-million circulation and with some advertisers, who shied away from Playboy, already in the fold. That would be something less than what is considered a mass circulation magazine, which today requires a multimillion circulation (Reader's Digest is tops with 13-million).

On the other hand, in terms of Hartford's Show, SBI's planned circulation ranks it as a mass magazine. Show is guaranteeing just 100,000 readers for its first issue (against 350,000 for SBI) and, according to general business manager Ralph Flynn, Show plans only 200,000 circulation in two years.

At that point, says Flynn, the market will be reevaluated.

These two approaches to circulation are the starting point of departure in publishing concept.

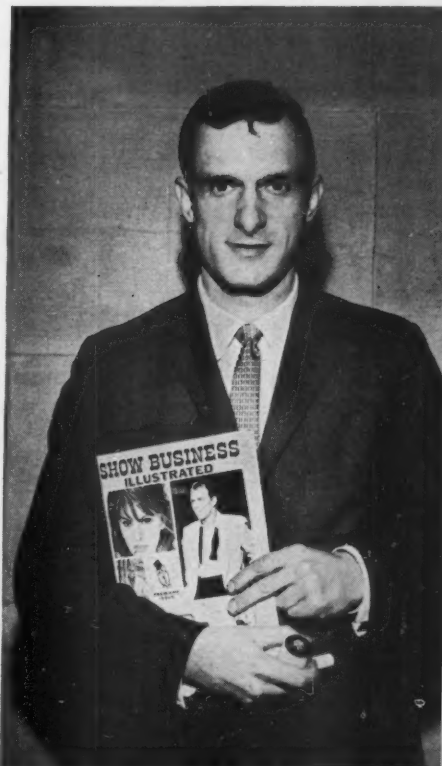
**SBI concept.** HMH Publishing Co., Hefner's parent organization, got the idea for a new magazine venture as part of the push for growth in the aggressive Playboy group that now includes key clubs and merchandising ventures. First thoughts were a magazine of jazz, but that was abandoned as too narrow a market. By 1960, the general SBI idea had been formed and last February Hefner said, "Let's go."

Through Playboy, Hefner and his group had become well acquainted with the entertainment world, making this venture a natural. "Everybody's got a little bit of the show business bug in him," says Hefner. "It's the one common bond that ex-



Ralph Flynn is general business manager of Show, a new magazine covering the broad field of the performing arts.

Hugh M. Hefner is publisher of Show Business Illustrated, an entertainment magazine for the "sophisticated reader."



# TRANSACTER\*

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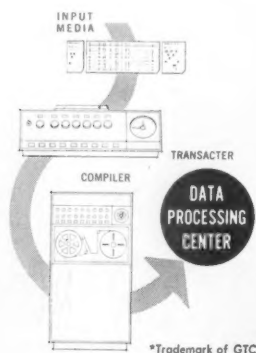
Types of information employees will "feed" to the system include personal attendance and time spent on specific jobs.

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ists in the world; it's the reason America scores better abroad with Louis Armstrong than with foreign aid."

Robert S. Preuss, business and circulation manager for SBI, says it's too early to tell about newsstand sales, where SBI hopes to get 80% of its circulation. But tests in Kenosha, Wis., and New Haven, Conn., showed up well. In fact, Hefner says, "I'm stunned, but not surprised. We're selling out everywhere."

**Show's audience.** Although Hefner insists his new magazine is reaching for the urban sophisticated reader, SBI readership is less likely to rate that description than Show.

Flynn says it would be premature to give an exact profile of Show's audience, but the aim is obviously high class. The price alone should assure that. Show wants readers who are interested in the arts, thus they are likely to have had a college education. They will be mature, urban, and well-to-do. In pricing tests, it turned out that the prospective customers were more willing to pay \$10 than \$6 or \$8 a year. Unlike SBI, Show intends to get its circulation mostly by subscription.

Flynn, who is a magazine consultant and also runs the American Salesman magazine, thinks the timing for Show is ideal. "If they had come to me three or four years ago, I don't think I would have said yes," says Flynn. But now, he adds, "the cultural explosion is coming to a crescendo." He sees a cohesion of the performing arts that lends itself to single editorial treatment.

Hefner agrees with that analysis, but pooh-poohs the idea of any competition between Show and SBI. Show, he says, will be a beautiful book, "but so was Flair. Beautiful but unprofessional."

The two magazines are taking different tacks on advertising strategy, too, though rates are about the same at about \$2,000 for a black-and-white page.

SBI thinks it may become competitive with the New Yorker in seeking advertisers, but at the beginning it has concentrated on those that are in Playboy—"we know they're friendly to begin with." SBI's first issue—with advertisers running from Lady Clairol to MacLaren's Cheddar Cheese—had 54 pages of ads, 46 of them paid, out of a total of 158 pages. Its second issue already has 15 pages of ads, nine of them paid.

**More selective.** Actually, the two magazines will be getting some ads that are the same—records, stereo-hi-fi sets, theater promotions.

But Show is being highly selec-

tive in its advertising policy. In what Flynn thinks is an unprecedented move, Show refused some advertising in the first issue.

"We want advertising in which our kind of audience will be interested," says Flynn. "We won't accept a cheap perfume, for instance." In its first issue, Show had a pretty exclusive lineup—Pauline Trigere, Countess Mara, Bergdorf Goodman shoes (at \$85), and a Bache & Co. ad on investments.

Editorially, the two magazines are also far apart.

Frank Gibney, SBI's editorial director who came from Life magazine, describes his effort as providing news and amusement for people interested in "popular culture."

Actually, nobody, including Hefner, was particularly satisfied with SBI's first issue. It was perhaps too masculine—a trait carried over from Playboy—and with features too similar. Gibney admits the kickoff issue was too much of a grab bag (there were no dummy runs), but insists the magazine will improve.

Along Madison Avenue, the word was that Hefner and his team will have to do a fast shift from the initial editorial package. Said one magazine specialist: "I was shocked. It was something out of the 20s."

**SBI treatment.** The brashness of SBI's first issue is in sharp contrast to Show. With its large Life-size format (SBI is news magazine size), Show offered its readers sedate, handsomely illustrated treatment of subjects such as Artur Rubinstein, Orson Welles, a Hollywood portfolio. Edited by Robert M. Wool, formerly of Look, it has a strong lineup of staff and authors, including Arthur Schlesinger, Jr., Virgil Thomson, and Kenneth Tynan.

It is Huntington Hartford's idea that Show will fill the place of Vanity Fair, with depth treatment of everything that affects the country's cultural life. "There will be times," he says, "when the political scene will fall into our ken. When it does, we will cover it."

**Two approaches.** You get some idea of the different approaches of the two magazines in the publishers' messages: "But now," says Hefner, "the house lights are dimming. Settle back and enjoy. There's no business like show business and, we avow, no magazine like Show Business Illustrated."

Hartford's parting words: "We believe in that public. We believe that most of them genuinely want better plays, better movies, better TV, better art, better music. We will attempt to help them achieve those ends." **End**





## “Winning the peace is a lonely battle.”

John F. Kennedy

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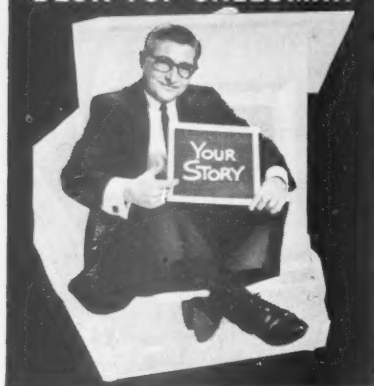
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## TRANSPORTATION

# Subsidy for the rails?

ICC proposal for federal subsidy for rail passenger

service, to rescue ailing New Haven, rouses

Congress storm; basis would be maintenance spending

Many railroads, particularly in the East, are in deep financial trouble. The plight of the New York, New Haven & Hartford is the worst; so much of its income is dependent on passengers—mainly commuters in the New York and Boston areas—and it has piled up such great deficits that it has been forced into financial reorganization.

This week, the Interstate Commerce Commission, in a report dealing primarily with the New Haven but applicable to all railroads, came up with a recommendation that has already stirred a great controversy. It suggested to Congress that the federal government—for the first time—subsidize railroad passenger operations.

**Reluctant.** The commission made the recommendation reluctantly. It said it had long felt that subsidizing any form of transportation is undesirable. It would not make such a proposal now, it said, if it believed that the progressive decline of rail passenger service has been due entirely to the inherent advantages of auto, air, and other forms of travel.

Railroads have not been able to compete on a fair basis, the commission said, because other modes have received direct and indirect subsidies in the form of federal financing of highways, airways, and waterways, or as direct operating grants.

In addition, the commission said, one form of rail passenger service—the movement of commuters in major cities—will become increasingly important in the next decade in view of the nation's population growth and the traffic strangulation of cities. Rail service must be preserved for this job, it said.

**Opposition.** The idea of a new subsidy program drew immediate criticism from some members of Congress. When ICC Chmn. Everett Hutchinson brought up the proposal before the Senate Commerce Committee, Sen. Frank J. Lausche (D-Ohio) said, "I'm not going along with giving out the taxpayers' money" to railroads.

Sen. Strom Thurmond (D-S.C.) said flatly, "I'm against it."

**New path.** If Congress approved the proposal, it would be charting a new path on subsidies. Heretofore, in the domestic transportation field, they have been used as a promotional device to encourage development and growth. For the railroads, they would be used to rescue a deteriorating service.

The commission proposed an aid program that it said would not dull managerial incentives to cut passenger losses and would not require the federal government to establish passenger train schedules or to prescribe standards of service or equipment.

Aid would be granted on the basis of expenditures made by a railroad to maintain its way and structures that are directly assignable to passenger service. The subsidy also would be influenced by the amount of state and local assistance to the railroad.

Under this concept, the federal government would recognize an obligation to pay part of the cost of maintaining rail rights-of-way, just as it assists in construction and maintenance of highways, airways, and waterways.

**Cost.** The commission estimated that under existing conditions, the New Haven would be entitled to receive \$7.3-million a year. Federal grants potentially available to some other major roads would be \$4-million to the New York Central, \$1-million to the Baltimore & Ohio, \$4-million to the Pennsylvania, \$1.3-million to the Santa Fe, \$665,000 to the Southern. The commission estimated that the total annual cost of the program would not exceed \$52-million annually even in the unlikely event that all roads applied for and qualified for assistance.

**Plight.** As for the New Haven, the ICC concluded that its "situation is almost hopeless without federal assistance." It estimated the railroad's deficit for this year at \$23.6-million, compared with \$14.7-million in 1960. **End**

# Personal business

BW

September 2, 1961

## Returning tourists face new customs rules

On your next arrival home from foreign shores, you may encounter more delays at the dock or airport. Customs inspectors will be giving your luggage a closer look, under new regulations effective Sept. 9.

The rules, affecting all travelers away from the U.S. 48 hours or more, reduce from \$500 to \$100 the value of foreign goods you can bring back duty-free (with one exception: a special \$200 limit for items from the Virgin Islands—where the 48-hour rule doesn't apply).

## Rules often overlooked

Keep especially in mind these three points—ignored by many travelers:

- **Children, even infants, get the same exemption as adults.** So a family can pool exemptions to reduce the duty on an expensive item, or to bring in more of a restricted luxury such as perfume.

- **You declare the retail purchase price of each item subject to duty—not the wholesale price.** The customs officer himself makes an approximation of wholesale and computes the duty on this. Generally, you can figure that he'll take off about one-third of stated retail value.

- **You can have any item sent to your home or office to arrive after you do.** You declare it on your return. (The \$100 duty-free limit applies, of course.) But don't have something sent back ahead of you—it will await your return anyway, and often cause confusion and delay.

## What's an antique?

Rules covering art objects are widely misunderstood, too. For example, you escape duties on an antique, regardless of value. The item may be anything of artistic merit, including furniture—but it must date to earlier than 1830.

Original paintings, etchings, engravings, and sculpture also are duty-free, whether old masters or modern. On sculptures, only the first and second casts are considered originals. Copies of paintings are dutiable at 10%.

Modern jewelry (1830 or later) can be costly to bring home. Stones in settings come under duties up to 55%.

## Computing the duties

Duties on most modern luxury goods—cameras, clothing, musical instruments, and such—range from about 10% of estimated wholesale value to as high as 60%. The average duty is around 25%.

Autos are at the lowest end of the scale—about 8½%.

On certain items, customs has strict controls. For example, you can import only one gallon of liquor per person, duty-free. For more than a gallon, you pay a stiff duty, plus a state tax—and run into considerable red tape.

You can bring in up to 100 cigars duty-free and as many cigarettes as you like—though the over-all \$100 duty-free limit stays in effect.

On perfume, there's a quantity limitation—generally, one bottle per person of each known brand.

Incidentally, it isn't worth trying to bring back growing plants or fruits—they may be seized for special laboratory examination.

One advantage: If two costly items together put you over the \$100 limit, the duty is assessed on the item that takes the lower rate.

## Duty-free giving

During a trip abroad, you can mail back to friends gifts costing less than \$10 (except perfume, liquor, and tobacco) duty-free—and without having to include them in your \$100 allowance.



## Personal business Continued

You can send as many such gifts as you want—but not more than one gift to one person the same day. Send packages International Parcel Post, marked "gift enclosed." If a mailed gift costs more than \$10, the recipient pays the duty on delivery.

Two final reminders: On departure from U.S., register with a customs officer any expensive foreign-made article you're taking along. On returning, put all dutiable items in one bag, if possible, to avoid delay.

### How to hear stereo radio

You may want to know how to tune your home set in to the increasing number of stereo hi-fi radio broadcasts. Twenty stations now offer FM programs in stereo via the multiplex system [BW Apr.29'61,p54]. By yearend the number should be up to 80, with several hours of stereo music daily.

Until recently, the only way to hear stereo radio was to put an AM radio on one side of the room, an FM set on the other, and take advantage of an occasional special program. But the AM sound was always inferior.

With multiplex, you need only one receiver. However, you will need some new and special equipment.

### Stereo components

One solution is simply to buy a new FM stereo radio with twin speakers (\$60 to \$200). Or, if you have an FM tuner linked to a stereo record-playing system, you can add to it a stereo adapter (\$30 to \$100). The adapter can be plugged right in to many recent FM radios and tuners. Prices are for top-quality products.

The change to stereo is more complicated if you start with a monaural system of hi-fi components. You'll need a second amplifier (\$80 to \$185), plus a stereo control adapter or a brand-new stereo amplifier (\$100 to \$250). Besides, you must add a second loudspeaker system.

Most expensive of all, of course, would be to buy a completely new system for stereo radio reception and record-playing (\$350 to \$1,000 up).

As an added luxury, a good home stereo tape recorder (\$275 to \$400) will enable you to tape musical programs from radio for your library.

Make a note of the High Fidelity Show at the New York Trade Show Building Sept. 14-17. The big attraction will be FM stereo radio programs. Some 100 manufacturers will be displaying component parts for stereo radio.

### Bit of Scotland for sale

Want to buy a salmon river, a grouse moor—a deer forest? The well-known sporting estates of Balnagown in the Scottish Highlands are up for sale in lots. Auction will be Sept. 13 at the North British Station Hotel, Edinburgh—unless sold before then, privately. Sales agent is C.W. Ingram & Sons, Edinburgh (cable SALES, Edinburgh).

Included are four salmon rivers, among them the Oykel, together with several lodges. This will be one of the biggest sales of sporting real estate in many years. This year, through July, rods out from Balnagown had taken about 600 salmon, nearly 200 sea trout, and nearly 1,000 brown trout.

### Stocks and bonds

Series H savings bonds coming due in the five years beginning Feb. 1, 1962, will pay 3¾% interest for up to 10 years after maturity . . . The Internal Revenue Service, easing its position, says that when stock is left in a broker's custody, verbal instructions to him to sell lots bought at various times and prices are valid for claiming capital gain or loss [BW Aug.12'61,p102].

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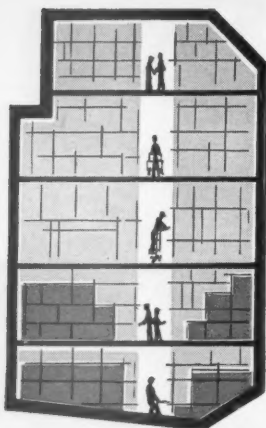
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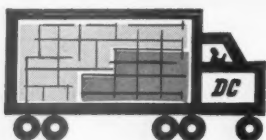


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## GOVERNMENT

# Giving new stature to Budget Bureau

David E. Bell (picture) has led the staff away from its eight-year role as primarily a financial housekeeping agency, giving it more influence on policymaking

During the eight years under Pres. Eisenhower, the Budget Director's chief job was largely that of a bookkeeper and watchdog. Cabinet members and a staff of specialists in the White House set policies, decided on a budget total, and adopted programs. Most of the time the Budget Director was outside the mainstream of policymaking—his job was to fit programs into a given budget total.

It is still early—this Administration is running largely on a budget set up under Pres. Eisenhower. And the course of events during an Administration can markedly affect the position of the budget makers.

But today, under Pres. Kennedy's way of operating, the Budget Bureau is once again a Presidential staff; its director, a key White House adviser, bringing together the many strands of information the President needs. In short, the Director of the Budget and his staff have regained stature.

The man closest to the revitalizing is David E. Bell (picture). It's true that even without his personal touch, the bureau would carry more weight than before. That's because Kennedy relies on somewhat fewer White House aides than Eisenhower did, and the ones Kennedy has are "generalists." Thus, the President naturally expects a lot of his Budget Bureau—a staff of specialists that keeps close tabs on everything that goes on in government. But Bell's own versatility is giving added strength to the bureau's position.

**Phenomenon.** Bell, a Harvard economics professor, had never met Pres. Kennedy until the day before the President appointed him as Budget Director. On that day, Kennedy invited him over the dinner table to expound his views on what a Budget Director should be, and the two men's views turned out to coincide remarkably. Since then, Bell's rise to a position of confidence with the President has been phenomenal.

More renowned Harvard professors whom Kennedy installed in Washington have been less influential than expected, while Bell has become a true member of the inner circle, made up of only a half-dozen White House aides plus perhaps three Cabinet members.

Bell is only 42, though he has had considerable Washington experience—he joined the Budget Bureau at 22 and returned as its top economist after a stretch with the Marines; he was on Truman's personal staff, was a key aide in Adlai Stevenson's 1952 campaign.

**Job description.** Bell sees his job as that of balancing out all the demands on the nation's funds and giving the President the information on which a priority list can be based. Only Theodore C. Sorensen, the President's long-time chief assistant, plays as broad a role as Bell, and the two men often work together.

Bell may see the President several times a week on policy matters. And, says a White House aide, "what Kennedy is getting from Bell is a Presidential answer, not a bookkeeper's answer."

The Budget Director gets involved in problems such as Berlin at the very beginning. With a deep interest in the problems of foreign aid, he has argued for long-term borrowing authority in this program. He helped draft the whole Kennedy legislative program, including the biggest housing bill in history, reorganization of the regulatory agencies, and job retraining.

He was the Administration's chief witness on proposals to create a Dept. of Urban Affairs. His bureau sparked reorganization of civil defense, putting part of that program under the Defense Dept. Bell sits on the sidelines at National Security Council meetings and occasionally contributes to discussion.

Bell gets into planning from the ground level up. When the Berlin



defense buildup was first proposed, he sent aides to the Pentagon to work with Defense Dept. officials in figuring out what financial and other resources were available and how much each of several approaches to the Berlin crisis would cost. One critical weekend, the aides never left the Pentagon to sleep, but on Monday Bell had the data all ready for the President.

**A reasonable "No."** Bureaucrats in Washington traditionally feud with the Budget Director—he is the one who says "No" to their pet projects. In spite of his sometimes unpopular role, Bell is one of the most popular members of the Administration.

"He is so eminently reasonable when he says 'No' that you can't get mad at him," a Cabinet member explains.

When a reporter wrote that Secy. of Agriculture Orville Freeman had gone over Bell's head to the President and scored a victory over the Budget Bureau, Freeman sent the clipping to Bell with a marginal note: "I only wish it were so." Both got a good laugh out of it.

**No stuffed shirt.** Though now an Ivy League professor (his own undergraduate education was at Pomona College in California, where his 6-ft. 4¼-in. height made him center on the basketball team), Bell has a common touch that makes him a highly effective witness before Congressional committees.

For example, he recently told a committee that he considered it "counter-productive" to run a budget surplus when there is unemployment, but he quickly added: "... in the fancy phrase they use around this town."

**Fiscal philosophy.** Bell's fiscal views are virtually interchangeable with Kennedy's own. Bell is basically a "balanced budget" man, but he means balanced over the course of a business cycle, not every year. As an economist, he warns against choking off full recovery by balancing the budget too soon after a recession, as he says happened in 1959 when Eisenhower budgets flipped from a \$12-billion deficit one year to a \$1.2-billion surplus the next.

To Bell as to Kennedy, fiscal policy is an important weapon in stimulating economic growth. The nation, he says, can afford higher expenditures "to the limit of its capacity to produce—a limit it has not approached for several years." He considers it "a serious error of public policy, as well as false economy" to neglect resources development, education, health, or research "on the arbitrary assumption that we cannot afford them."



**David E. Bell** is a Budget Director who isn't content to be a bookkeeper. He is in touch with everything that happens, and the President looks to him for advice.

**Restrained view.** Republicans in Congress are inclined to call this the double-talk of a big-spending policy. But Bell measures up as a somewhat more conservative economist than, say, Walter Heller, chairman of the Council of Economic Advisers, or Paul Samuelson of MIT, a frequent unofficial consultant to Pres. Kennedy.

Early in the year, when Kennedy was considering a \$1-billion public works program as an anti-recession measure, Bell was one of the more restraining influences. He tends to favor the "soft" approach to governmental regulation, too—standby authority rather than direct action.

It would be misleading to suggest conflict among Bell, Heller, and Secy. of the Treasury Douglas Dillon. The three are remarkably close in their thinking, regardless of differences in degree or emphasis. They stood shoulder to shoulder, for example, in opposing a tax increase to finance the Berlin defense buildup, which some advisers favored for political reasons.

They agree, too, on the need for the President to have standby tax authority, within limits defined by Congress, so that fiscal policy could

be applied flexibly to stimulate or restrain the economy. This fall, spurred by recommendations of the Commission on Money & Credit, they will consider whether to ask Congress for such authority.

**Interest abroad.** Bell taught economic development at Harvard and now pursues his interest in foreign aid officially. He helped in the reorganization of the whole foreign aid program; he was instrumental in giving ambassadors prime responsibility for administration of foreign aid in their respective countries.

When Pres. Ayub Khan of Pakistan visited Washington this summer, Kennedy recalled that Bell had been a consultant to the Pakistan government for three years, and he saw to it that Bell was at Ayub's side throughout the visit.

Bell is a strong voice in the Administration for gearing our aid program to the social revolution in the underdeveloped areas. He is sharply critical of past U.S. policy, which he feels, "tried to oppose Communism by supporting a reactionary status quo." The final foreign aid budget goes through his hands, and he takes a personal interest in how the money is spent. **End**

# Pondering the riddles of the universe

Astronomers from all over the world gather in California to trade theories—on problems such as creation of the universe—and a few politically tinged words

**Astronomy** has made sensational strides in the space age, but the basic riddles of the universe are still unsolved.

This reminder was given by Dr. Jan H. Oort of the Netherlands, president of the International Astronomical Union, at last week's IAU convention of 1,000 delegates from 33 countries at the University of California's Berkeley campus (pictures). Amid attempts to puzzle out cosmic riddles, the delegates also fell to some debate reflecting the riddles of today's world politics.

As if to illustrate the point that astronomers still have much to discover, no fewer than three theories about the creation of the universe were represented in the assembly. Among the delegates were Abbe Georges Le Maitre, the Belgian priest who in 1927 proposed his "big bang" theory; Hermann Bondi of King's College, London, and Fred Hoyle of Cambridge University, who with Thomas Gold of Princeton University support the "continuous creation" theory; and IAU's president-elect, Viktor A. Ambartsumian, who suggests that the process of creation is intermittent.

## I. Political science

The conference had a heady international flavor. Delegates affixed colored disks to their badges to show which languages they spoke; some badges bore as many as six disks.

Despite the usual rapport among scientists of all nations, pure science could not quite shut out mundane politics.

Before the session even opened, Russian and Czech astronomers sought to revoke Nationalist China's IAU membership, so as to bring Red China back into the group. When the Formosa group was admitted in 1959, the Red Chinese walked out. IAU delegates expressed sympathy with the lack of representation of

mainland Chinese, but they voted strongly to keep Formosa in.

**Space litter.** On the heels of that dispute, the Belgians protested the U. S. Air Force's West Ford project, a White House-approved plan to disperse 350-million tiny needles to form a band around the earth 24 mi. wide and 5 mi. deep. Its purpose: to test the use of an artificial reflecting belt for microwave radio.

The U.S. has said the needles, each no thicker than a hair, would be too sparsely distributed to obstruct astronomical research, but many scientists are skeptical. They object in general to projects that add significantly to the amount of debris in space. This space litter, they fear, might interfere with both optical and radio observation of outer space.

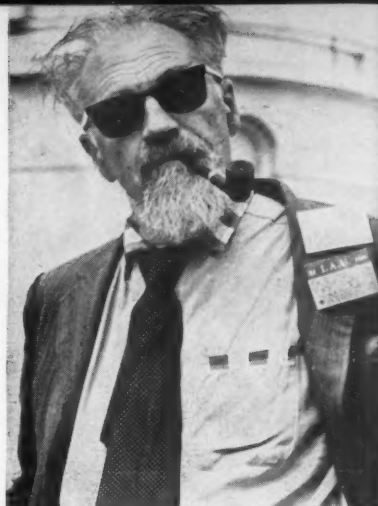
The Belgian resolution picked up strong support. At their final session, the delegates adopted two stern resolutions. One was general, a request that governments consult IAU before launching any space experiment that might affect astronomy. The other was specifically aimed at the West Ford project.

IAU is asking the Air Force to delay its firing of a Midas satellite to carry the needles into space until scientific research can establish beyond doubt that the band of needles will not remain long in place and will not seriously impair astronomical observations.

## II. Combined effort

The fruits of growing international cooperation were apparent as astronomers reported findings of simultaneous observations.

One of the most successful attempts has helped establish more precisely the diameter of Mercury. As the planet passed within range last year, eight observatories cooperated in measuring it. Use of different techniques, including both photometric and double image



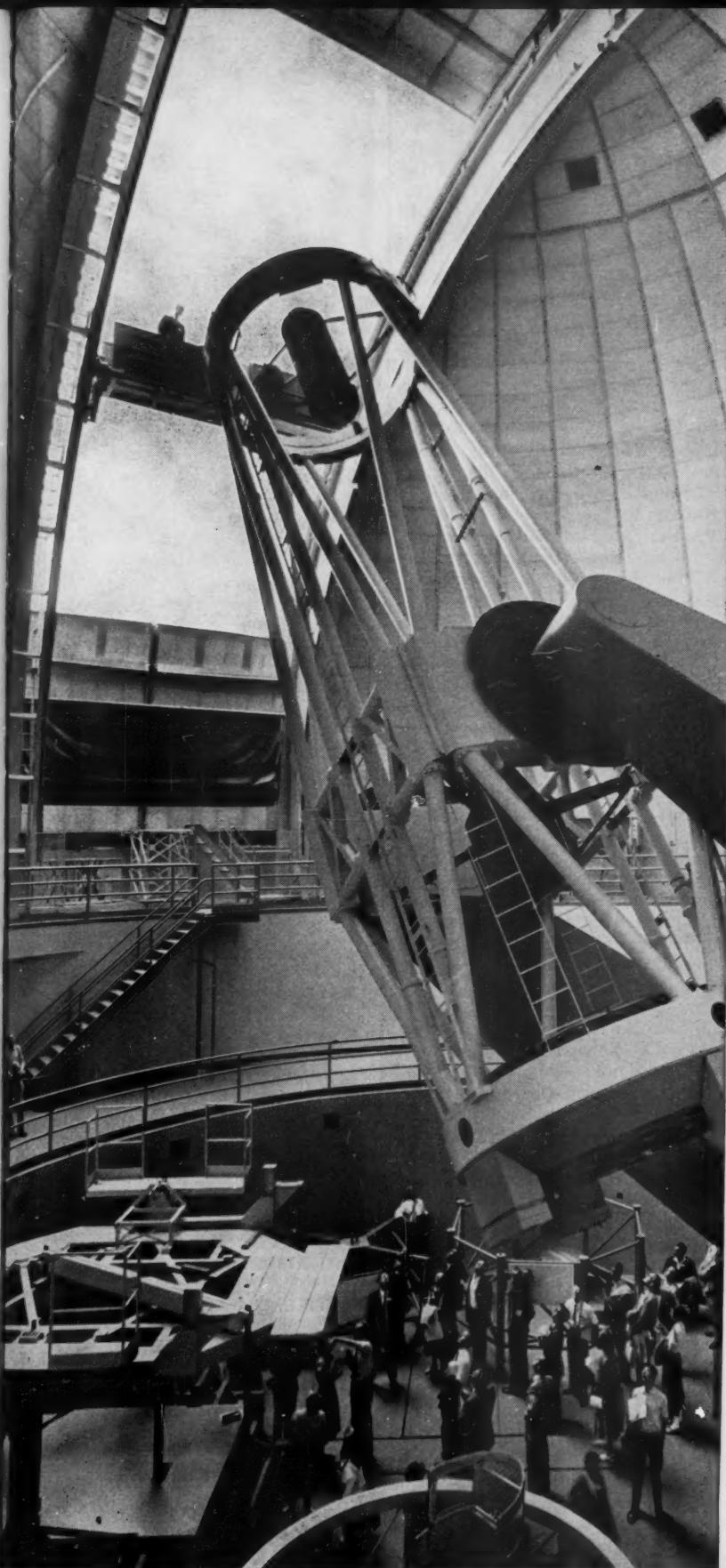
Bearded delegate from South Africa



Priestly delegate from the Vatican



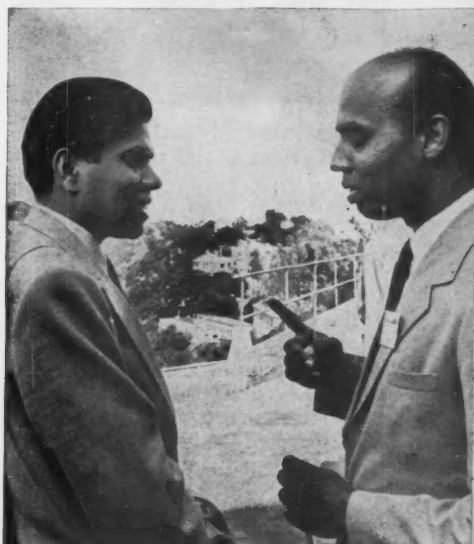
Two whose badges say only "Germany"



Visitors to Lick Observatory cast a knowing eye up at the 120-in. telescope



Lick's director, left, talks to Russian



Two astronomers from India ...



... and another delegate from Far East





President-elect of IAU is Viktor A. Ambartsumian (right) of Russia.

micrometer, improved the precision of results to a degree that excited astronomers. This giant step toward accurate measurement is attributed to the number of observers and use of multiple techniques of measuring.

Cooperation among countries is still pretty new in astronomy. IAU got things going when it queried 92 countries five years ago on willingness to participate in observations. Forty responded enthusiastically. Since then, a number of countries have worked together on photographing the surface of Mars and assembling negatives from photography of the moon.

Astronomers set up a seven-nation committee of observers to take part in an earthwide watch for new supernovas, tremendous explosions that are revealed only when their light reaches earth millions of years later.

### III. Latest in telescopes

Radio astronomy, a branch of the science that emerged just 30 years ago when radio waves were received from the Milky Way, claimed a big share of attention from the scientists. Since the birth of radio astronomy, giant dish-shaped receivers and antenna systems have been developed to explore the waves radiated by celestial objects. Astronomers hope the new information provided by radio techniques can help answer questions on cosmogony—the science of studying the origin of the cosmos.

**Too many cooks?** Last year the U.S. alone had 75 radio telescopes at work, including big installations built by California Institute of Tech-

nology, University of Michigan, and Ohio State University. More are being erected. Because some of the big ones, including the Navy's 600-ft. dish at Sugar Grove, W. Va., and the Defense Dept.'s 1,000-ft. dish in Puerto Rico, have bogged down with severe budgetary and structural problems [BW Jul. 8'61, p34], there was some feeling among astronomers that too many are springing up.

Dr. Frank D. Drake of the National Observatory at Green Bank, W. Va., said that the number of projects is causing us to spread our resources too widely. Green Bank's 140-ft. telescope, being built by the National Science Foundation, shares some of the troubles of the Sugar Grove and Puerto Rico installations.

**Harder to focus.** Such problems haven't dimmed scientific enthusiasm for the capabilities of the big receivers. They can probe at greater distances than optical instruments, and reception is less weakened by the shift to the red end of the spectrum, such as that encountered in galaxies that are moving away from the point of observation.

However, radio astronomers have found it hard to match the sharpness of focus that optical methods offer, because radio waves are more diffuse and are longer than light waves.

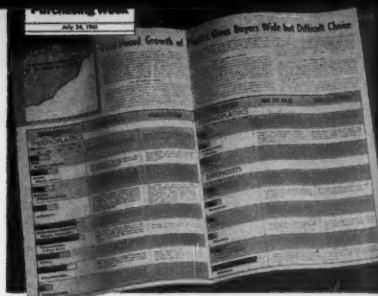
Another difficulty is the faintness of celestial radio signals. They have only a tiny fraction of the power of a television radio signal and, as astronomers complained at the assembly, are in constant danger of being obscured by interference from transmitters on earth.

"We are seeing farther into space than we can optically," said Germany's Dr. Sebastian von Hoerner, "but we are not seeing as thoroughly. We get less information, for instance, on distance."

**Elephantiasis.** The big single dishes may help, but some astronomers think they could get too big. One expressed the opinion that 200 ft. might be the optimum size for efficiency. Radio telescopes bigger than that are already in operation in several countries.

Increasing the size of the antenna brings on practical problems, too. W. H. Christiansen of Australia said that doubling the size of a dish would cost 10 times as much, because of the pyramiding of problems of weight and sag. He thinks a better way to achieve high resolution is to build structures that increase area without enlarging other dimensions, so cost would increase only linearly.

For example, astronomers are now looking to more radio structures of the Mills cross pattern, pioneered by B. Y. Mills in Australia in 1954. This



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**July 24, 1961**

## Plastics Gives Buyers Wide but Difficult Choice

Floetka producers are racing to enter or keep up the frantic growth of the industry and find new ones in order to keep up the frantic growth of the industry and find new ones in order to keep up the frantic growth of the industry.

The big volume industries—construction, appliances, furniture, etc.—are among the main targets, and it's easy to see why. For example, in 1960, the average home had one television set; by 1970, the average home had two. The market for televisions was in the billions of dollars. And the market for televisions was in the billions of dollars. And the market for televisions was in the billions of dollars.

Over 30 families of Floetka

Over 30 families of Plastics

There are over 30 different families of plastics on the market today, and within the major groups the uses vary widely. For example, the thermoplastics are flexible, some hard — and they can be recycled. Others are thermosetting plastics and are used for electrical insulation. Some are used for building materials, and some are used for medical devices. The plastics industry is growing rapidly, and it is expected that the demand for plastics will continue to increase in the future.

### Greater Versatility and Economy

Many of the most popular plastics used in packaging are polyethylene and ABS (Acrylonitrile-butadiene-styrene). These plastics are used in a great number of fields, while the latter is also used in automotive parts and in the general-purpose field, as a replacement for metal. The reason for the increased use of plastics in packaging is that they are easy to produce, they are resistant to moisture, and they are easy to transport. The process of choosing one plastic over another is a complex one, and it is not always clear what the best choice is. The company must be able to handle the necessary physical requirements. The company must be able to handle the necessary physical requirements. The company must be able to handle the necessary physical requirements.

### Slow Molding Process

[illegible]

HOW MUCH THEY COST		WHAT THEY CAN DO		WHERE TO USE THEM	
<b>THERMOPLASTICS</b> 100 200 300 400 500		High, high tensile and impact strength. Continuous duty temperatures: 275-350°F. Excellent dielectric properties, low water absorption. Resists chemical attack. Both in "single" effect.		Pipe, pipe fittings, machine parts, electrical insulation, fluid-tight containers, radiators, heat exchangers, automotive housings, electronic components.	
<b>Polypropylene</b> 100 200 300 400 500		Moderate high shock strength, normal to solvent, ester and chemical stress resistant. General purpose, hard lightweight, low impact strength, low creep, long-term 1400°C stable, excellent dielectric properties.		Formed appliances, housings, refrigerators, liners and parts, strong basic packages, containers, toys, housewares, wall tiles. Fair mechanical durability, poor display design.	
<b>Polystyrenes (Cryox)</b> 100 200 300 400 500		High strength, rigid. Addition of stabilizer resists oxidation. Versatile. Shows good chemical, weather, heat, cold. For indoor use primarily but, for outdoor, may require stabilizers. All extrudables, with wide range, excellent electrical properties.		Pipe, pipe fittings, wiring, machine die castings, appliances, tanks, wire and cable insulation, packaging, and wall extrudables, partitions, and other molded materials, earth caps, etc.	
<b>Vinyls (PVC, Gen)</b> 100 200 300 400 500		<b>THERMOSETS</b> 100 200 300 400 500			
<b>Epoxy</b> 100 200 300 400 500		High strength where used in laminates. Rigid, but can be made flexible. Outstanding ability for bond materials. Excellent chemical resistance, low moisture absorption, good electrical properties.		Electrical components, high-strength resins, structural laminates, precast concrete and pipe, protective coatings.	
<b>Melamines</b> 100 200 300 400 500		High heat resistance—200-300°F depending on filler, surface and chemical resistance, extreme surface hardness, excellent chemical, high dielectric changes.		Barware, diecastings, laminates, heat-resistant, grinding wheels, radiators, heat exchanger components, etc.	
<b>Ureac</b> 100 200 300 400 500		Good heat resistance—up to 170°F, excellent moldability, good surface hardness, high strength and greater, surface hardness, low moisture, high dielectric strength.		Cosmetic container closures, shell housings, electrical parts, pipe & fittings.	
<b>Phenolics</b> 100 200 300 400 500		Good heat resistance—up to 170°F, excellent moldability, good surface hardness, high strength and greater, surface hardness, low moisture, high dielectric strength.		Electrical components, high-strength resins, structural laminates, precast concrete and pipe, protective coatings.	
<b>Polyesters, Alkyds (Diphen)</b> 100 200 300 400 500		Excellent dimensional stability, good dielectric properties, outstanding moldability. In liquid form they have been used as fillers in composites.		TV and radio cabinets, hand-held equipment, grinding wheels, radiators, electrical components, etc.	
<b>Silicones</b> 100 200 300 400 500		Excellent dimensional stability, good dielectric properties, outstanding moldability. In liquid form they have been used as fillers in composites.		Sanitary food processing equipment and material, fabric coatings, laminates. Coatings—brass, electrical potting. Polymeric films, refrigerators.	

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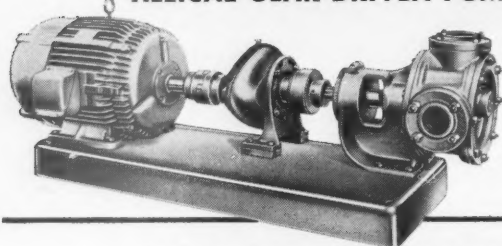
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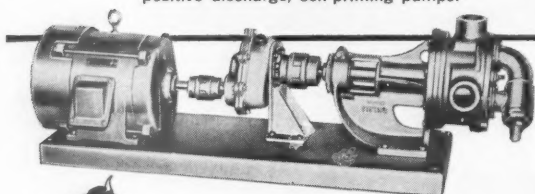


Fig. 288 units with size "B" reducers, capable of handling up to 10 H.P. at 1750 R.P.M. motor speed. 15 to 225 G.P.M. capacities. Six sets of gearing using one gear case. Six pump sizes in this series.

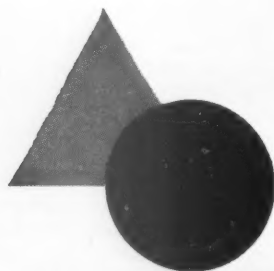


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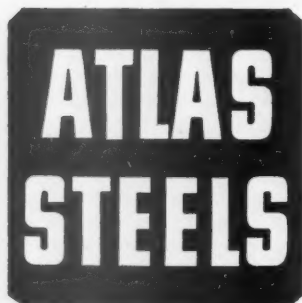
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design arrays antennas on east-west and north-south axes, making it possible to focus on sources by coordinating the reception patterns from the two cross-directions. The Netherlands is planning an installation of this kind that will extend 3 mi. in each direction.

**Optical telescopes.** Von Hoerner and others think optical astronomy has pretty well reached its limits. Yet new optical telescopes still are being installed. Russia recently built a 102-in. reflecting telescope at the Crimean Astrophysical Observatory. It's the world's third largest, exceeded only by Mount Palomar's 200-in. and Lick Observatory's 120-in. reflectors in California.

**Flying eye.** An optical telescope that won't be restricted in mobility is Stratoscope II, a balloon-borne 36-in. reflector that's being developed by Princeton University astronomers to explore the area above 80,000 ft. A pair of television cameras will enable scientists on the ground to control setting of the instrument for exposure of up to 1,000 frames of 70-mm. film.

Stratoscope II's first assignment will be to study planets. Because they're so bright, good exposures should be easy to obtain, says Dr. Martin Schwarzschild, who heads the Princeton group.

Schwarzschild is the scientist who obtained closeup pictures of the sun's surface with a balloon-borne 12-in. telescope in 1957 and 1959.

## IV. Latest word

New findings abounded at the conference. Delegates heard that:

- The Russian probe of Venus early this year revealed that the solar winds from the sun, which are thought to cause such earthly phenomena as magnetic storms and communication blackouts, have no more intensity than light breezes.

- Light from the immense cosmic explosion of a faraway star some 800-million years ago reached earth just two months ago and was photographed by an American astronomer.

- An East German astronomer discovered a great cloud of dust beyond the Milky Way that may be hiding innumerable far-off galaxies.

- A French astronomer has discovered that an enormous galaxy about the same size as that of the earth has two previously unseen great arms of hydrogen that cause it to glow mysteriously.

- Radio signals have been picked up from Mercury by University of Michigan astronomers. Mercury is the fifth planet from which radio emissions have been received. **End**



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## The real trial is still to come

There is an understandable sense of relief among many people in this country and in Western Europe now that the U.S. has decided to sound out Moscow on the question of holding East-West negotiations on Berlin (page 15). At times during the past two weeks, it has seemed as if events would get out of hand in that beleaguered city.

It would be a great mistake, however, for anyone to assume that the worst of the Berlin crisis has passed. Moscow's sudden announcement this week that it is resuming the testing of nuclear weapons should make that abundantly clear to the West. On any realistic appraisal of the situation, the most trying phases of the crisis still lie ahead.

We have been willing to negotiate all along. When we sent additional troops into West Berlin two weeks ago, it was not because we expected a battle. The purpose of the move, as of our general military buildup, can best be expressed in Winston Churchill's phrase, "We arm to parley."

The difficulty has been, and still is, that the Soviets give no indication that they want genuine negotiations. Premier Khrushchev, to be sure, has said he would be glad to talk with the Western powers about Berlin. But, for Khrushchev, negotiation apparently means capitulation on our part.

When Khrushchev first sealed the borders of East Berlin, there was some hope his real purpose was to stabilize the Communist system in East Germany. But his subsequent moves and threats show that his appetite will not be so easily sated.

At a press conference in New York on Monday, Secy. of State Rusk was asked if Khrushchev knew that we would fight for West Berlin. Gravely, Rusk replied: "I think he knows we will not be pushed out of Berlin." But even if that is the case, it does not mean that the issues are negotiable.

The harsh fact is that basic interests of the West and of the Soviet Union come into the most direct and absolute conflict in Berlin. We regard our rights in West Berlin as an essential margin of security for the free world. Moscow regards them as a margin of danger for Communism. In this confrontation, the two sides have only one thing in common—the fear of nuclear war.

In the end, this mutual fear may produce a negotiated solution—one that will leave the Western position basically intact for a while longer. But before such an understanding is reached, if indeed it can be, the West may well be forced to repeat in even stronger terms last week's "solemn warning" to Moscow to keep hands off West Berlin's life lines. It may also be necessary for Pres. Kennedy to accelerate our military buildup.

In seeking to resolve the Berlin crisis without appeasement or war, Kennedy and Rusk clearly have a dangerous and tortuous road to follow in the weeks ahead. Every step must be taken in conjunction with our principal NATO allies, and each must be reviewed in the broad context of the worldwide offensive the Communists are conducting.

It will be a supreme test of U.S. statesmanship.

## Tourist trap at the docks

The American tourist who goes abroad is generally a hardy breed, inured to the discomforts of bumpy buses, noisy hotel rooms, and endless tipping. But his severest test is yet to come—at air terminal and dockside in his own country, beginning Sept. 9. For that is the grim date when the law goes into effect lowering from \$500 to \$100 the ceiling on duty-free articles bought abroad.

It is not hard to visualize what is in store for the returning tourist: luggage ransacked, long lines, frayed nerves as customs inspectors enforce the new law. What is now just gamesmanship—trying to get through customs fast, with a minimum of inconvenience—will become a grueling experience.

All of this strikes us as a big step backward in the supposed modernization of customs procedures. Not long ago, Americans were complaining that every time you traveled across a border in Western Europe, you had to fight your way through red

tape. But today you can go by train from Britain through France and Switzerland to Italy without any rigid customs inspection. Now we seem to be returning to the antiquated system that the Europeans have wisely abandoned.

The idea of clamping down on U.S. tourist expenditures was born in the darkest days of last year's gold crisis. But viewed in brighter light, this measure is not likely to help our balance of payments appreciably. There are still many duty-free goods that can be brought home or shipped back (page 85). Far more important, tourists can spend abroad on hotels and meals what they now cannot spend on gifts.

It would be well for the Administration to reexamine what it expects to gain from the new law. Tourists would like to feel that the Customs Service's "most hearty welcome"—extended to returning tourists—is really all that hearty.

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